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NEW VISIONS AIM CHARTER HIGH SCHOOL II

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
New Visions AIM Charter High School II

Report on the Financial Statements

We have audited the accompanying financial statements of New Visions AIM Charter High School II (the "School"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



NEW VISIONS AIM CHARTER HIGH SCHOOL II

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

ASSETS	2020	2019
Cash	\$ 996,624	\$ 460,455
Cash - restricted	76,420	75,835
Grants receivable	165,309	115,230
Due from related entities	222	501,190
Prepaid expenses and other assets	2,139	22,966
Property and equipment, net	31,307	18,932
	<u>\$ 1,272,021</u>	<u>\$ 1,194,608</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 19,098	\$ 658,637
Accrued salaries and other payroll related expenses	129,829	70,596
Refundable advance from Paycheck Protection Program	146,122	-
Due to NYC Department of Education	70,454	150,980
Due to related entities	98,908	43,024
	<u>464,411</u>	<u>923,237</u>
NET ASSETS		
Net assets - without donor restrictions	<u>807,610</u>	<u>271,371</u>
	<u>\$ 1,272,021</u>	<u>\$ 1,194,608</u>

The accompanying notes are an integral part of these financial statements.

NEW VISIONS AIM CHARTER HIGH SCHOOL II

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUE WITHOUT DONOR RESTRICTIONS		
State and local per pupil operating revenue	\$ 4,402,341	\$ 3,193,940
Government grants and contracts	<u>859,876</u>	<u>385,717</u>
	<u>5,262,217</u>	<u>3,579,657</u>
EXPENSES		
Program services	4,178,289	3,871,481
Management and general	<u>588,002</u>	<u>574,265</u>
	<u>4,766,291</u>	<u>4,445,746</u>
INCOME (LOSS) FROM SCHOOL OPERATIONS	495,926	(866,089)
SUPPORT AND OTHER INCOME		
Contributions and other income	35,777	507,275
Interest income	<u>4,536</u>	<u>5,072</u>
	<u>40,313</u>	<u>512,347</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	536,239	(353,742)
NET ASSETS - BEGINNING OF YEAR	<u>271,371</u>	<u>625,113</u>
NET ASSETS - END OF YEAR	<u>\$ 807,610</u>	<u>\$ 271,371</u>

The accompanying notes are an integral part of these financial statements.

	No. of Positions	General Education	Special Education	Total	Supporting Services Management and General	2020
Personnel service costs						
Administrative staff personnel	17	\$ 487,195	\$ 284,424	\$ 771,619	\$ 430,300	\$ 1,201,919
Instructional personnel	25	956,165	894,332	1,850,497	-	1,850,497
Total salaries and staff	42	1,443,360	1,178,756	2,622,116	430,300	(9)-15.854,868 (9 831ecia

	No. of Positions	General Education	Special Education	Total	Supporting Services Management and General	2019
Personnel service costs						
Administrative staff personnel	13	\$ 410,005	\$ 114,415	\$ 524,420	\$ 448,708	\$ 973,128
Instructional personnel	23	1,095,012	375,010	1,470,022	-	1,470,022
Total salaries and staff	36	1,505,017	489,425	1,994,442	448,708	2,443,150
Fringe benefits and payroll taxes		276,129	93,555	369,684	81,458	451,142
Retirement		36,202	11,773	47,975	10,793	58,768
Management company fee		265,302	60,445	325,747	2,919	328,666
Legal services		817	186	1,003	9	1,012
Accounting and audit services		-	-	-	20,822	20,822
Other purchases of professional and consulting services		585,308	131,907	717,215	1,361	718,576
Repairs and maintenance		4,053	923	4,976	699	5,675
Insurance		28,306	6,449	34,755	311	35,066
Utilities		29,465	7,021	36,486	1,482	37,968
Instructional supplies and materials		32,422	7,282	39,704	-	39,704
Equipment and furnishings		9,801	2,252	12,053	1,563	13,616
Staff development		9,268	2,968	12,236	1,120	13,356
Marketing and recruitment		1,059	688	1,747	2	1,749
Technology		80,448	18,201	98,649	687	99,336

NEW VISIONS AIM CHARTER HIGH SCHOOL II

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operating revenue	\$ 5,131,612	\$ 3,658,661
Other cash received	40,313	512,347
Cash paid to employees and suppliers	<u>(4,609,542)</u>	<u>(4,341,864)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>562,383</u>	<u>(170,856)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(25,629)</u>	<u>(23,640)</u>
NET INCREASE (DECREASE) IN CASH	536,754	(194,496)
CASH AND CASH - RESTRICTED - BEGINNING OF YEAR	<u>536,290</u>	<u>730,786</u>
CASH AND CASH - RESTRICTED - END OF YEAR	<u>\$ 1,073,044</u>	<u>\$ 536,290</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 536,239	\$ (353,742)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	13,254	4,708
Changes in operating assets and liabilities:		
Grants receivable	(50,079)	57,012
Due from related entities	500,968	(498,710)
Prepaid expenses and other assets	20,827	(19,584)
Accounts payable and accrued expenses	(639,539)	616,865
Accrued salaries and other payroll related expenses	59,233	4,818
Refundable advance from Paycheck Protection Program	146,122	-
Due to NYC Department of Education	(80,526)	21,992
Due to related entities	<u>55,884</u>	<u>(4,215)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 562,383</u>	<u>\$ (170,856)</u>
Cash and cash - restricted consist of:		
Cash	\$ 996,624	\$ 460,455
Cash - restricted	<u>76,420</u>	<u>75,835</u>
	<u>\$ 1,073,044</u>	<u>\$ 536,290</u>

The accompanying notes are an integral part of these financial statements.

NEW VISIONS AIM CHARTER HIGH SCHOOL II

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

1. NATURE OF THE ORGANIZATION

New Visions AIM Charter School II (the "School") is a New York State not-for-profit educational corporation that was incorporated on April 5, 2011 to operate a charter school pursuant to Article 56 of the Educational Law of the State of New York. The School was granted a provisional charter on April 5, 2011, valid for a term of five years and renewable by the Board of Regents of the University of the State of New York. The School's charter was renewed and restructured for an additional five years, expiring in July 2022.

The School opened its doors in the fall of 2012 in the Bronx with a rigorous academic program and a highly structured and supportive school culture. While the School is comprised of students from many backgrounds, it is uniquely designed to meet the needs of at-risk students who are currently in the foster care and child welfare system.

The School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(ii) of the IRC.

The School shares space with a New York City public school and is not responsible for rent, utilities, custodial services, maintenance, and school safety. Square footage totaling approximately 10,700 feet is allocated to the School.

The New York City Department of Education ("NYCDOE") provides free lunches and transportation directly to a majority of the School's students.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the School's net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets – with donor restrictions or without donor restrictions – be displayed in a statement of financial position and that the amount of the change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Net Assets with Donor Restrictions consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor-imposed restrictions are perpetual in nature.

Net Assets without Donor Restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. This net asset category includes both contributions not subject to donor restrictions and exchange transactions.

At June 30, 2020 and 2019, the School had no net assets with donor restrictions.

Cash – Restricted

Included in cash – restricted is an escrow account of \$76,420 and \$75,835 at June 30, 2020 and 2019, respectively, which is held aside for contingency purposes as required by the Board of Regents.

NEW VISIONS AIM CHARTER HIGH SCHOOL II

NEW VISIONS AIM CHARTER HIGH SCHOOL II

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Pronouncement

NEW VISIONS AIM CHARTER HIGH SCHOOL II

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The School maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The School strives to maintain a cash reserve equal to a minimum of three months of operating expenses, with a target of three to six months. Cash is kept in interest-bearing bank accounts to maximize returns.

The School's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

June 30,	2020	2019
Cash	\$ 996,624	\$ 460,455
Cash - restricted	76,420	75,835
Grants receivable	165,309	115,230
Due from related entities	222	501,190

NEW VISIONS AIM CHARTER HIGH SCHOOL II

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30,:

	2020	2019
Computer equipment	\$ 49,269	\$ 23,640
Less: accumulated depreciation	(17,962)	(4,708)
	<u>\$ 31,307</u>	<u>\$ 18,932</u>

Depreciation expense amounted to \$13,254 and \$4,708 for the years ended June 30, 2020 and 2019, respectively.

6. GRANTS RECEIVABLE

Grants receivable consist of federal and state entitlements and grants. The School expects to collect these receivables within one year. Grants receivable consist of the following as of June 30,:

	2020	2019
Title I	\$ 77,129	\$ 76,100
Title II	7,036	9,111
Title IV	6,039	6,000
NYS Additional Funding	47,478	-
E-Rate Reimbursement	20,347	24,019
Other	7,280	-
	<u>\$ 165,309</u>	<u>\$ 115,230</u>

7. REFUNDABLE ADVANCE FROM PAYCHECK PROTECTION PROGRAM

In April 2020, the School received a Paycheck Protection Program ("PPP") loan of \$694,980 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). PPP loans are considered conditional contributions, with a right-of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses, such as utilities, incurred following receipt of the funds. As of June 30, 2020, the School recognized \$548,858 of the amount received as grant revenue based on the qualifying expenditures incurred and barriers to entitlement being met. The School is tracking the qualifying expenditures during the qualifying period and an application for forgiveness of the loan will be made. However, as of the date the financial statements were available to be issued, notice of forgiveness had not been received from the lender. Management believes the School has met the requirements to be forgiven. However, if a portion of the loan must be repaid, the terms (0.98% per annum, repayable over a maximum of two years with a six-month deferral period) are such that the School has sufficient liquidity to repay the unforgiven portion.

At June 30, 2020, the School recorded \$146,122 as a refundable advance from the Paycheck Protection Program for funds received in advance for which qualifying expenditures have not yet been incurred and barriers to entitlement have not been met.

8. PENSION PLAN

The School has adopted the New Visions for Public Schools' pension plan (the "Plan") which is qualified under Internal Revenue Code 403(b) for the benefit of its eligible employees. The Plan is an elective contribution plan. Employees are eligible to enroll in the Plan once they have completed at least one full year of service and completion of 1,000 work hours and are also eligible for discretionary employer contributions. The School's contribution becomes fully vested after the sixth year of the employee's service.

NEW VISIONS AIM CHARTER HIGH SCHOOL II

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

8. PENSION PLAN (CONTINUED)

Pension expense amounted to \$142,083 and \$58,768, net of forfeitures, for the years ended June 30, 2020 and 2019, respectively, and is included in retirement in the accompanying statements of functional expenses.

9. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks.

The School entered into contractual relationships with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The School cannot reasonably estimate the length or severity of this pandemic; however, economic uncertainties have arisen which could have a material adverse effect on the School's financial position, results of operations and cash flows. The School believes they are taking appropriate actions to mitigate the negative impact.

10. COMMITMENTS

The School leases office equipment and copiers under non-cancellable operating leases which will expire at various times during the next two years. The leasing expense for the years ended June 30, 2020 and 2019 was \$17,508 and \$18,935, respectively, which is included in the accompanying statements of functional expenses under office expense. Future minimum lease payments are as follows:

<u>June 30,</u>	
2021	\$ 14,784
2022	<u>7,392</u>
	<u>\$ 22,176</u>

11. CONCENTRATIONS

Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limit of \$250,000.

The School received approximately 83% and 78% of its total revenue from per pupil funding from the NYCDOE for the years ended June 30, 2020 and 2019, respectively.

The School's grants receivable consists of two major grantors accounting for approximately 96% at June 30, 2020 and two major grantors accounting for 100% at June 30, 2019.

Four vendors accounted for approximately 79% and one vendor accounted for approximately 96% of accounts payable at June 30, 2020 and 2019, respectively.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Trustees
New Visions AIM Charter High School II

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of New Visions AIM Charter High School II (the "School"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School in a separate letter dated October 28, 2020.



Purpose of this Report



NEW VISIONS AIM CHARTER HIGH SCHOOL II

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

OCTOBER 28, 2020

October 28, 2020

To the Audit Committee
New Visions AIM Charter High School II

We have audited the financial statements of New Visions AIM Charter High School II (the "School") for the year ended June 30, 2020 and are prepared to issue our report thereon dated October 28, 2020. Professional standards require that we provide you with the following information related to our audit. This letter includes required communications from the auditors to those with audit oversight responsibilities.

REQUIRED COMMUNICATIONS

A. Our Responsibility under U.S. Generally Accepted Auditing Standards:

As stated in our engagement letter dated April 20, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of New Visions AIM Charter High School II. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

B. Planned Scope and Timing of the Audit:

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters in April 2020.

C. Auditor Independence:

We affirm that MBAF CPAs, LLC is independent with respect to New Visions AIM Charter High School II.



D. Qualitative Aspects of Accounting Practices:

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by New Visions AIM Charter High School II are described in Note 2 to the financial statements. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

E. Accounting Estimates Used in the Financial Statements:

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Allowance for Doubtful Accounts:

As of June 30, 2020, New Visions AIM Charter High School II recorded grants receivable of \$165,309. Management concluded that no allowance for doubtful accounts was necessary. Management calculated based on the assessment of the credit-worthiness of the School's grantors, the aged basis of the receivables, as well as economic conditions and historical information. Based on our audit procedures which included a discussion with the Director of Finance and a review of subsequent collections, we concur with management's conclusion.

Functional Statement Allocation:

Management's estimate of the allocation of functional expenses is directly identified with the program or supporting service to which they relate. We

Corrected and Uncorrected Misstatements:

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Except as made known to you, management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. We will identify those adjustments proposed both corrected and uncorrected:

Proposed and Corrected:

There were no audit adjustments during the current fiscal year or prior fiscal year.

Proposed and Uncorrected:

There were no audit adjustments that were proposed and uncorrected during the fiscal year.

H. Audit Difficulties and Disagreements with Management:

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

I. Management Representations:

We have requested certain representations from management that are included in the management representation letter dated October 28, 2020.

J. Management Consultations with Other Independent Accountants:

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

K. Other Audit Findings or Issues:

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We wish to thank management and personnel for their support and assistance during our audit. We would be pleased to further discuss the contents of this report with you at your convenience.

This information is intended solely for the use of the Audit Committee, Board of Trustees, and management of New Visions AIM Charter High School II and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



MBAF CPAs, LLC