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Independent Auditor's Report

To the Board of Trustees of
Elm Community Charter School

Report on the Financial Statements

We have audited the accounting records ("Records"), which comprise the statement of financial position, statements of activities, functional expenses, and cash flows for the year 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, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards of the American Institute of Certified Public Accountants ("AICPA") 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 that the financial statements are free from material misstatement.

An audit involves examining procedures and disclosures in the financial statements, including the assessment of the risks of material misstatement due to fraud or error. In making our assessment, we consider information relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. Our audit also includes evaluating the 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 for our audit opinion.

Opinion

In our opinion, the financial position of Elm Community Charter Schools as of June 30, 2020, and the changes in its net assets and its cash flows for the year ended June 30, 2020, are presented in accordance with the accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of Elm Community Charter Schools for the year ended June 30, 2019, and we issued an unmodified audit opinion on those audited financial statements in our report dated October 24, 2019. In our opinion, the summarized comparative information presented in the financial statements for the year ended June 30, 2019 is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Other Reporting Requirements of the Government Auditing Standards

In accordance with *Government Auditing Standards*, we have performed limited tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other external controls. We did not identify any instances of non-compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is intended to provide an opinion on the effectiveness of the School's internal control system over financial reporting. This report is not intended to provide an opinion on compliance with those provisions. This report is not intended to provide an opinion on compliance with those provisions. This report is not intended to provide an opinion on compliance with those provisions.

Schall & Ashenfarber
Certified Public Accountants, LLC

October 15, 2020

ELM COMMUNITY QUARTERS SURVEILLANCE
STATE
AS OF
(With comparative total as of 6/30/2019)

Assets	<u>6/30/2020</u>	<u>6/30/2019</u>
Cash and cash equivalents		
Grants receivable		
Prepaid expenses and other		
Security deposit		
Restricted cash (Note 7)		
Total assets	<u>1,762,947</u>	<u>\$707,867</u>

Liabilities and Net Assets

Liabilities:

Accounts payable	\$209,187	\$209,187
Grant advance - New York City (Note 5)	664	7,141
Paycheck Protection Program	818,685	
Loan payable (Note 7)	<u>700,000</u>	<u>110,000</u>
Total liabilities	<u>1,728,476</u>	<u>326,328</u>

Net assets:

Without donor restrictions	<u>1,169,531</u>	<u>408,772</u>
Total liabilities and net assets	<u>1,762,947</u>	<u>\$707,867</u>

The attached n

ELM COMMUNITY CHARTER SCHOOL

STATEMENT

FOR THE YEAR ENDED

(With components of the financial statements of the State of Michigan)

6/30/2020 6/30/2019

With:

Public support and revenue:

Public school district: (Note 5)

Revenue	221,888	221,888
Total public school district revenue	<u>221,888</u>	<u>221,888</u>

Other government 915,770

Commodities 1,457

Other income 7,800

Total 1,146,915 1,146,915

Expenses:

Program services:

Regular education	2,440,549	1,883,869
Special education	<u>464,864</u>	<u>385,850</u>
Total program services	<u>2,905,413</u>	<u>2,269,719</u>

Supporting services:

Management and general	527,406	382,776
Raundraising	<u>0</u>	<u>1,457</u>
Total supporting services	<u>527,406</u>	<u>384,233</u>

Total expenses 3,432,819 2,653,952

Change in net assets 763,550 883,863

Net assets - beginning of period 1,048,772 0

Net assets - end 1,812,322 883,863

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

**ELM COMMUNITY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

(With comparative totals for 2019)

	Program Services			Supporting Services		Total Expenses
	Regular	Special	Total Program	Management and	Total Expenses	
Salaries	\$1,168,562	\$222,581	\$1,391,143	\$164,302	\$1,555,445	1,235,946
Payroll taxes and benefits	236,257	45,350	281,607	33,261	314,868	251,347
Total personnel costs	1,404,819	267,931	1,672,750	197,563	1,870,313	1,487,293
Professional fees	88,000	16,040	104,040	360,654	464,694	375,400
Curriculum and development	48,115	8,165	56,280		56,280	152,577
Facilities expense	625,374	119,119	744,493		744,493	1,119,924
Office expenses	15,771	3,004	18,775	45,081	63,856	48,801
Professional development	129,226	24,615	153,841		153,841	50,392,118
Insurance	21,175	5,938	27,113	6,530	33,643	22,259
Recruitment	33,010	6,288	39,298		39,298	61,160
Other expenses	3,600	686	4,286	7,535	11,821	10,972
Depreciation	60,013	11,431	71,444		71,444	43,449
Total expenses	\$2,440,549	\$464,864	\$2,905,413	\$517,406	\$3,422,819	\$2,652,498

The attached financial statements and auditor's report are integral parts of these financial statements.

ELM COMMUNITY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

(With comparative totals for the period ended June 30, 2019)

	6/30/2020	6/30/2019
Cash flows from operating activities:		
Change in net assets	\$760,750	\$400,734
Adjustments to reconcile change in net assets to cash provided:		
Depreciation	71,444	45,410
Changes in assets and liabilities:		
Prepaid expenses	(3,500)	(1,000)
Accounts payable and accrued expenses	21,000	20,000
Government grants receivable	(29,534)	29,534
Paycheck Protection Program loan	318,625	0
Total adjustments	387,035	(94,927)
Net cash flow from operating activities	1,147,785	305,807
Cash flows from investing activities:		
Purchases of equipment	(100,000)	(100,000)
Net cash flows used for investing activities	(100,000)	(100,000)
Cash flows from financing activities:		
Loan proceeds	0	120,000
Loan repayment	(40,000)	(10,000)
Net cash flows (used for)/provided by financing activities	(40,000)	110,000
Net increase in cash, cash equivalents, and restricted cash	1,007,785	315,807
Cash, cash equivalents, and restricted cash - beginning of period	245,722	0
Cash, cash equivalents, and restricted cash - end of period	\$840,909	\$245,722
Reconciliation to Statement of Financial Position:		
Cash and cash equivalents	\$790,909	\$220,722
Restricted cash (Note 3)	50,000	25,000
Total	\$840,909	\$245,722
Supplemental disclosures:		
Interest paid	\$3,900	\$0
Taxes paid	\$0	\$0

The attached notes and auditor's report are an integral part of these financial statements.

ELM COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1 - Organization

Elm Community Charter School ("School"), located in Hills, N.Y., New York, is a not-for-profit educational organization chartered by the Board of Regents of the University of the State of New York. The School is authorized by the State Charter Schools Institute. The School provides educational services to students in grades K-5, elementary school. The School aims to foster an interdisciplinary and collaborative learning environment focused on cultural and civic engagement.

The School completed its 2020 fiscal year with an average enrollment of approximately 190 students. The School is a separate legal entity, which is independent of the State of New York Department of Education (NYCDOE). On July 14, 2017, the School was granted a charter for a term to end including July 31, 2023. The summarized comparative information reflects activity from inception to the end of the fiscal year.

The School has been notified by the Internal Revenue Service that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The School is a private foundation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

Effective July 1, 2019, the School adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU collectively, "Topic 606". This provides the framework for recognizing revenue by identifying performance obligations, determining the timing of recognizing obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective July 1, 2019, the School adopted ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("Topic 606"). Key provisions of this guidance require that grants and contracts as exchange transactions or contributions, and improved guidance to consider whether the transfer of resources or assets is an exchange transaction, which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transfer is non-reciprocal, the resource provider should recognize the contribution as a contribution.

applies guidance under Topic 606. If the transaction is reciprocal, it is treated as a contribution under Topic 605.

For contributions, the School evaluates whether they are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for the School to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

An analysis of our various commitments of both of the periods resulted in no significant changes in the way the School recognizes revenue.

b. Basis of Presentation

Net assets are classified based upon the existence or absence of donor-imposed restrictions.

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no restrictions by donors to their use.
- *Net Assets With Donor Restrictions* – represents those resources the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release results from the satisfaction of the restricted purposes specified by the donor. The School did not have any net assets with donor restrictions as of June 30, 2020 or June 30, 2019.

c. Revenue Recognition

Contributions are recognized when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when the stipulated restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified. If donor-imposed restrictions are satisfied in the same period they were received, they are classified as without donor restrictions.

The School's public and district revenue is primarily conditional, non-exchange revenue. Revenue from these transactions is recognized based on rate schedules, as well as other conditions under the agreements are met. The difference between cash received and revenue recognized is reflected as government grants receivable or refundable.

Contributions and grants expected to be received within one year are recorded at net realizable value. Pledges are reviewed for collectability. Based on knowledge of specific donors and the School's historical experience, no allowance for doubtful accounts exists as of June 30, 2020 or June 30, 2019. Revenue is recognized in the period the receivable is deemed to be collectable.

- d. Cash and Cash Equivalents
 The School considers all liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents. Restricted cash has been classified separately.
- e. Concentration of Credit
 Financial instruments, which have credit risk, consist of cash accounts which have been placed with financial institutions that management deems to be creditworthy. Management does not intend to exceed federally insured limits. While at year end the School had uninsured balances, management feels they have little risk and has not experienced any losses due to bank failure.

Capitalization
 Computer hardware, furniture, equipment, and related software are capitalized at cost or at the fair value at the date of gift, if donated. The School capitalizes fixed assets in excess of \$500. Depreciation was computed over the useful life of the respective assets.

Computer hardware - 5 years
 Furniture and fixtures - 5 years
 Leasehold improvements - Life of lease

- g. Donated Services
 Donated services are recognized in the financial statements if the services enhance the non-financial assets or require specialized skills are provided by individuals possessing those skills and would typically need to be purchased, if not provided. In-kind contributions and other individuals volunteer their time and perform a variety of tasks that assist the School. The criteria outlined above have not been met and are not included in the financial statements.

- h. Functional Basis
 The costs of programs are allocated on a functional basis in the financial statements. Such allocations are determined by management on an equitable basis.

Salaries were allocated using time spent on each program. Salaries were allocated using the salary allocation method.

- Payroll taxes and employee benefits
- Insurance

Certain program expenses have been allocated directly to the applicable program or support service.

i. Use of Estimates

The preparation of financial statements in conformity with generally accepted in the United States requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

j. Contingencies

Government contracts are subject to audit by the Government. We do not believe that any audits, if they were to occur, would result in material unallowed costs, and we have not established any reserves. Any disallowed costs should be recognized in the period notified.

k. Accounting for Uncertainty in Income Taxes

The School does not have any uncertain tax positions. Tax returns for 2018 and later are subject to examination by applicable taxing authorities.

l. Comparative Financial Information

The financial statements include certain prior year summarized comparative information by the School for the year ended June 30, 2018, in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

m. New Accounting Pronouncement

FASB issued ASU No. 2018-02, "Leases," which is effective for the year ended June 30, 2019. The new standard requires the recognition of long-term leases to be reported as a liability with a corresponding "right to use asset" on the statement of financial position.

Entities for Contributed Nonfinancial Assets, which is effective for the year ended June 30, 2019. The new standard requires the recognition of contributed nonfinancial assets, and requires a separate line item presentation on the statement of activities and additional disclosures.

The School is in compliance with the new standard for the year ended June 30, 2019.

Note 3 - Restricted Assets

An escrow account has been established to meet the requirement of the Board of Regents of the State of New York. The funds are available for an orderly dissolution or termination of the charter or school closure.

Note 4 -

Fixed assets consist of the following:

	6/30/19	6/30/19
Furniture, fixtures and equipment	7,798	\$178,133
Leasehold improvements	22,235	0
	339,823	178,133
Less: accumulated depreciation	(116,893)	(45,449)
Total	\$222,930	132,684

Note 5 -

Grant Advance - New York City Department of Education

Activity related to the grant advance with the NYCDOE can be summarized as follows:

	6/30/19	6/30/19
Beginning grant advance	0	0
Per pupil funding:		
Funding based on full FTE	\$2,257,642	\$1,508,560
Advances received	(1,000,000)	(1,605,783)
Ending grant advance	(\$742,358)	0

Note 6 -

During the year ended 6/30/19, the School had a loan from the Paycheck Protection Program. The loan is for \$1,000,000 and is used to maintain average work forces during periods subsequent to receipt of the loan funds that are not less than the amount of the loan. The loan is not to be used for any other purpose and will be payable for a five-year period, with interest accruing at 1%. The loan forgiveness amount has not been determined as of the date of these financial statements.

The School expects to recognize revenue from this loan in 2018-08, as the Department of Education will continue to review whether the loan will provide more definitive guidance.

Note 7 - Loans Payable

The School's loan activity can be summarized as follows:

- On 6/30/19, the School obtained a loan from a landlord for \$70,000. Interest on this loan accrues at an annual rate of 8%. The amount of the loan is currently due and the balance is \$70,000.
- On 6/30/19, the School received a loan from an individual for \$40,000. The full amount of the loan was repaid in full during 2020. There was no interest on this loan.

Note 9 - Significant Concentrations

The School is dependent upon grants from the NY State Office of Education, the New York City Department of Education, and the New York City Department of Social Services. For the years ended June 30, 2020 and 2019, respectively, the School received approximately \$1,100,000 and \$1,100,000 from the NYDOE, respectively. If the NYDOE were to discontinue funding, it would have a severe economic impact on the School's ability to operate.

Note 10 - Commitments and Contingencies

During the year ended June 30, 2020, the School entered into a lease agreement with Friends of Elm Community Center, Inc. for a new educational and administrative building at 85-23 66th Avenue, Queens, NY. The lease became effective July 1, 2020, the following year.

The School entered into another lease agreement with Friends of Elm Community Center, Inc. for a new educational and administrative building at 85-23 66th Avenue, Queens, NY, that is anticipated to become effective July 1, 2022. The lease mentioned in the preceding paragraph expires. This lease expires July 1, 2022.

Future minimum payments under these leases are as follows:

Year ending:	June 30, 2021	\$1,100,000
	June 30, 2022	1,100,000
	June 30, 2023	1,800,000
	June 30, 2024	2,139,459
	June 30, 2025	2,139,459
	Thereafter	87,410
Total		<u>\$954,009</u>

Note 10 - Retirement Plan

The School has a retirement plan for its employees. The School contributes to this plan on a discretionary basis. For the years ended June 30, 2020 and 2019, the School contributed \$24,125 and \$14,261, respectively. Salary deferrals and matching contributions are immediately 100% vested.

Note 11 - Availability and Liquidity

At June 30, 2020, the School's cash and cash equivalents were \$790,909. The School's operating expenses within one year of \$790,909, and the School's government grants received within one year of \$90,088 are not subject to any external or internal limits. In the absence of such management, the School operates its operations and relies on grants and

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position. Financial statements were available to be included in the statement of financial position as of the date of the statement of financial position, and no events or transactions were identified that would require disclosure in the financial statements.

Note 13 - Other Matters

In January 2020, a public health crisis emerged in the United States and other countries, leading to quarantines, facility closures, and travel and logistics restrictions in various countries. These events have had a significant impact on the Company's operations, including program operations, and increasing demand for certain services. The impact of these events on the Company's financial position as of the date of the statement of financial position is not quantifiable.

IRA L. SCHALL, CPA
DAVID C. ASHENFARR, CPA
MICHAEL [REDACTED]

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 AUDITING STANDARDS

Independent Auditor's Report

To the Board of Trustees of
Elm Community Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards of the Comptroller General of the United States, the financial statements of Elm Community Charter School (the "School"), which comprise the statement of financial position as of [REDACTED] 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 [REDACTED].

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. Our consideration of internal control was for the limited purpose of assessing the appropriateness of the audit procedures and does not constitute 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 others charged with governance to prevent, or detect and correct, a misstatement of the entity's financial statements that is less severe than a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, in time for reporting purposes. A control deficiency that is less severe than a material weakness is internal control that is less severe than a material weakness but still represents a deficiency in internal control that is less severe than a material weakness and requires 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 material weaknesses or significant deficiencies. During our audit, we did not identify any material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified.

Compliance

As part of obtaining reasonable assurance about whether the 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 material effect on the financial statements. However, testing of these provisions was not an objective of our audit, and accordingly, we do not express an opinion on the results of our tests. Such noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

The purpose of this report is to provide information on compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements. This report is an integral part of the audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance.


Schaefer
Certified Public Accountant

October 15, 2015

ELM COMMUNITY CHARTER SCHOOL
SCIENCE FINDINGS AND QUESTIONS

Current

None

Prior