

AMANI PUBLIC CHARTER SCHOOL

MOUNT VERNON, NEW YORK

AUDITED FINANCIAL STATEMENTS

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2017

(With Comparative Totals for 2016)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Amani Public Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Amani Public Charter School, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, 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 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 audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amani Public Charter School as of June 30, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Amani Public Charter School's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017 on our consideration of Amani Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Amani Public Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 26, 2017

AMANI PUBLIC CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

<u>ASSETS</u>	June 30,	
	2017	2016
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,565,033	\$ 2,816,782
Cash in escrow	75,000	75,000
Grants and other receivables	198,742	174,742
Prepaid expenses and other current assets	85,730	14,614
TOTAL CURRENT ASSETS	2,924,505	3,081,138
<u>PROPERTY AND EQUIPMENT, net</u>	561,293	613,120
TOTAL ASSETS	\$ 3,485,798	\$ 3,694,258
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 50,615	\$ 172,259
Accrued expenses	74,604	63,389
Accrued payroll and benefits	297,827	237,193
Deferred revenue	294,449	315,330
Deferred lease incentive	1,509	2,850
TOTAL CURRENT LIABILITIES	719,004	791,021
<u>LONG-TERM LIABILITIES</u>		
Deferred lease liability	623,226	474,365
TOTAL LIABILITIES	1,342,230	1,265,386
<u>NET ASSETS</u>		
Unrestricted	2,126,088	2,413,864
Temporarily restricted	17,480	15,008
TOTAL NET ASSETS	2,143,568	2,428,872
TOTAL LIABILITIES AND NET ASSETS	\$ 3,485,798	\$ 3,694,258

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

AMANI PUBLIC CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

	Year Ended June 30,			
	2017			2016
	Unrestricted	Temporarily restricted	Total	Total
Operating revenue and support:				
State and local per pupil operating revenue	\$ 6,227,683	\$ -	\$ 6,227,683	\$ 5,826,325
Governmental grants	383,638	-	383,638	329,155
Contributions	465		465	25,806
Contributed legal and educational services	151,647	-	151,647	49,522
Special events	4,988	6,157	11,145	583
Net assets released from restriction	<u>3,685</u>	<u>(3,685)</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUE AND SUPPORT	6,772,106	2,472	6,774,578	6,231,391
Expenses:				
Program:				
Regular education	4,424,755	-	4,424,755	4,012,267
Special education	1,305,160	-	1,305,160	1,125,769
Management and general	1,325,896	-	1,325,896	1,091,906
Fundraising and special events	4,071	-	4,071	2,108
TOTAL EXPENSES	<u>7,059,882</u>	<u>-</u>	<u>7,059,882</u>	<u>6,232,050</u>
CHANGE IN NET ASSETS	(287,776)	2,472	(285,304)	(659)
Net assets at beginning of year	<u>2,413,864</u>	<u>15,008</u>	<u>2,428,872</u>	<u>2,429,531</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,126,088</u>	<u>\$ 17,480</u>	<u>\$ 2,143,568</u>	<u>\$ 2,428,872</u>

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

AMANI PUBLIC CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017
 (With Comparative Totals for June 30, 2016)

	Year ended June 30, 2017							Year Ended June 30, 2016
	No. of positions	Program Services			Supporting Services			
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel Service Costs:								
Administrative Staff		\$ 218,692	\$ 48,586	\$ 267,278	\$ 554,244	\$ -	\$ 554,244	\$ 797,254
Instructional Personnel				2,348,540			824,382,540	
Non-instructional Personnel	13	1,718,944	629,596	396,811			397,655	2,023,926
Total Salaries and Wages	40	369,625	27,786,368	3,012,629			3,567,717	3,104,287
Fringe benefits & payroll taxes	7	2,307,261	149,341	844,088			844,088	283,107
Retirement	60			637,836	555,088	-	555,088	667,787
Legal service		488,495					5,697	755,359
Accounting / Audit services		23,678			117,523	-	117,523	36,614
Other Purchased / Professional / Consulting services		323,595	7,239		5,697		98,239	98,239
Building and land rent / Lease			209,525	448,114	98,239		107,245	107,245
Repairs and maintenance			124,519	894,884	107,245		541,179	1,059,769
Insurance		685,359		93,296,288	93,065		93,065	1,057,415
Utilities		71,835	21,961	92,442	164,885		164,885	111,078
Supplies / Materials		20,899			17,282		17,282	32,316
Equipment / Furnishings		70,798	6,389	149,803		2,827	5,028	109,475
Staff development		140,104	21,644	4,274	5,028		17,033	152,630
Marketing / Recruitment		13,980	9,699	747	17,033			152,630
Technology		26,242		18,254			2,827	21,617
Food service			1,817	8,602			3,363	42,841
Student services		7,855		97,755	3,363		14,782	14,782
Office expense		11,687	3,573	125,614	14,782		206,812	206,812
Depreciation and amortization		91,426	6,329	47,636	2,812		23,145	23,145
Other		44,552	3,084					47,636
		96,203	29,411					148,759
		\$ 4,424,755	\$ 1,305,160	\$ 1,028,915	\$ 92,818	\$ - 4,071	\$ 92,818	\$ 92,838
		786	240		7,665	1,244	8,909	6,097

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

AMANI PUBLIC CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

	<u>Year Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (285,304)	\$ (659)
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:		
Depreciation and amortization	92,838	108,059
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(24,000)	58,362
Prepaid expenses and other current assets	(71,116)	22,066
Accounts payable	(121,644)	125,818
Accrued expenses	11,215	16,681
Accrued payroll and benefits	60,634	33,094
Deferred revenue	(20,881)	125,241
Deferred lease incentive	(1,341)	(1,341)
Deferred lease liability	<u>148,861</u>	<u>177,664</u>
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(210,738)	664,985
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(41,011)</u>	<u>(34,779)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(41,011)</u>	<u>(34,779)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(251,749)	630,206
Cash and cash equivalents at beginning of year	<u>2,816,782</u>	<u>2,186,576</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,565,033</u>	<u>\$ 2,816,782</u>

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

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

(With Comparative Totals for June 30, 2016)

NOTE A: THE SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Amani Public Charter School (“the Charter School”) is an educational corporation that operates as a charter school in Mount Vernon, New York. On December 14, 2010, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. The charter was renewed in April 2016 for a term of three years. The Charter School was established to provide its students in grades 5-8 with the academic skills necessary to succeed in competitive high school programs, college and career of their choice.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2017 or 2016.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. At June 30, 2017 the Charter School had \$17,480 of temporarily restricted net assets, which were restricted for scholarships and school improvements. At June 30, 2016 the Charter School had \$15,008 of temporarily restricted net assets, which were restricted for scholarships and school improvements.

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School’s charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Charter School when qualifying expenditures are incurred and billable.

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for June 30, 2016)

NOTE A: THE SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Contributions

Contributions received are recorded as unrestricted, temporarily or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash and cash equivalents

Cash and cash equivalents are maintained at financial institutions located in Mount Vernon, New York and are insured by the FDIC up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

Cash in escrow

The Charter School maintained cash in an escrow account in accordance with the terms of its Charter agreement.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2017 and 2016.

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to fifteen years.

Deferred lease liability

The Charter School leases its facility. The lease contains pre-determined fixed escalations of the base rent. In accordance with GAAP, the Charter School recognizes the related rent expense on a straight-line basis and records the difference between the recognized rental expense and the amounts payable under the lease as a deferred lease liability.

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for June 30, 2016)

NOTE A: THE SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income. The Charter School has filed for and received income tax exemptions in the jurisdictions where it is required to do so.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2014 through June 30, 2017 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it has not recognized any liability for unrecognized tax benefits.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed.

The Charter School received contributed educational services which were valued at approximately \$51,000 and \$50,000 which are included in the accompanying statements of activities and changes in net assets for the years ended June 30, 2017 and 2016, respectively. The Charter School also received contributed legal services valued at approximately \$98,000 which are included in the accompanying statements of activities and changes in net assets for the year ended June 30, 2017. There were no contributed legal services received during the year ended June 30, 2016.

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$9,000 and \$12,000 for the years ended June 30, 2017 and 2016, respectively.

Deferred lease incentive

The Charter School leases its office equipment. The lease escalated the original lease payments and caused a buy-out from the prior lease. In accordance with GAAP, the Charter School recognizes the related buy-out credit on a straight-line basis and records the difference between the recognized lease credit and the amounts payable under the lease as a deferred lease incentive.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for June 30, 2016)

NOTE A: THE SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Comparatives for year ended June 30, 2016

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 26, 2017, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: SCHOOL FACILITY

Beginning September 1, 2014, the Charter School leases facilities from T & Z Partners, Inc. through August 30, 2029 with the option to renew for an additional 15 years. Current monthly rental payments are \$76,979. Other expenses in excess of the first year's base costs will be paid for by the Charter School. Starting April 1, 2016, base rent will increase every year by the Per Pupil Funding rate increase up to 3%, as indicated by the New York State Education Department. In years where the Per Pupil Funding is below 3% the remaining amount will be deferred to a period where the rate is above 3% and be included in base rent for that lease year. Total rent expense paid for the years ended June 30, 2017 and 2016 was approximately \$1,060,000 and \$1,057,000, respectively. Total approximate square footage usage for all facilities as of June 30, 2017 and 2016 was 45,000.

The future minimum payments on these agreements, assuming a 3% increase per year, are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 930,675
2019	958,595
2020	987,353
2021	1,016,974
2022	1,047,483
Thereafter	<u>8,486,594</u>
	<u>\$ 13,427,674</u>

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for June 30, 2016)

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 255,991	\$ 234,917
Office equipment	228,170	210,307
Leasehold improvements	<u>536,977</u>	<u>534,903</u>
	1,021,138	980,127
Less accumulated depreciation and amortization	<u>459,845</u>	<u>367,007</u>
	<u>\$ 561,293</u>	<u>\$ 613,120</u>

NOTE D: LINE OF CREDIT

During April 2013 the Charter School obtained a \$75,000 Line of Credit, which provides for interest at 1.5% over the Prime Rate (effective rate of 5.75% as of June 30, 2017). As of June 30, 2017 and 2016, there were no outstanding balances. The line is secured by all assets of the Charter School.

NOTE E: COMMITMENTS

During September 2013, the Charter School canceled its lease of office equipment under a lease agreement that would have expired November 2015. The Charter School entered into new leases for office equipment under a non-cancelable lease agreement that will expire August 2018. Associated with this new lease the Charter School received a buy-out for the remaining payments for its prior lease totaling \$6,705. The Charter School recorded the total buy-out amount as a deferred lease incentive and will recognize approximately \$100 per month for the duration of the new lease as other income. The Charter School recognized approximately \$1,300 for each of the years ended June 30, 2017 and 2016. The Charter School leases other office equipment under lease agreements that expire at various dates through July 2021. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 74,436
2019	74,436
2020	74,436
2021	60,821
2022	<u>3,480</u>
	<u>\$ 287,609</u>

AMANI PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for June 30, 2016)

NOTE E: COMMITMENTS, Cont'd

The Charter School's landlord is currently making leasehold improvements to the Charter School's facility in the current year. In accordance with the terms of the lease, once construction is complete, the School will be required to reimburse the landlord for the leasehold improvements. Upon completion, the School expects to repay approximately \$3,000,000 to the landlord in monthly payments over 15 years plus interest at 7%. The amount and terms of the note have not yet been finalized.

NOTE F: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the "Plan") for its employees. All employees of the Charter School are eligible to participate. The Plan allows for a discretionary employer match contribution. The Charter School made contributions of approximately \$34,000 for the year ended June 30, 2017. There were no contributions to the plan for the year ended June 30, 2016.

NOTE G: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE H: CONCENTRATIONS

At June 30, 2017, approximately 73% of grants and other receivables were due from the New York State Department of Education, respectively, relating to a certain grant.

At June 30, 2016, approximately 44% and 29% of grants and other receivables were due from the New York State Department of Education and the City of Mount Vernon, respectively, relating to certain grants.

During the years ended June 30, 2017 and 2016, 92% and 93%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

AMANI PUBLIC CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

Board of Trustees
Amani Public Charter School

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 Amani Public Charter School, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, 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 26, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Amani Public Charter 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 Amani Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Amani Public Charter 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 entity'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 over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Amani Public Charter School's financial statements are free from 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, as described in the accompanying Schedule of Findings and Responses as Item 2017-001.

Amani Public Charter School's Response to Finding

Amani Public Charter School's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Amani Public Charter School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We noted certain matters that we have reported to management of Amani Public Charter School in a separate letter dated October 26, 2017.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 26, 2017

AMANI PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017

Finding 2017-001

Statement of condition

The Board of Trustees did not operate pursuant to the Charter School's bylaws as required by the Charter School's Charter Agreement.

Criteria and effect of conditions

During our audit we noted the Board of Trustees met ten times over the course of the year ended June 30, 2017, however, a quorum was not present for four of these meetings. Paragraph 2.13(d) of the Charter School's First Renewal Charter states the Board shall operate pursuant to their bylaws with regards to governance. Article V paragraph C of the Charter School's bylaws state that a minimum of twelve meetings (inclusive of the June Annual Meeting and any Special Meetings) shall be held each year, including meeting at least monthly at the School facility. In addition, it was noted that no June Annual Meeting was held in June 2017.

Recommendation

We recommend the Charter School operate pursuant to its bylaws as stated in the Charter Agreement. If the bylaw requirements relating to frequency of meetings are unattainable for the Board then we recommend amending the bylaws to reduce the amount of times the board is required to meet.

Management response

We plan to amend the bylaws to change the frequency of meetings to "a minimum of (12) meetings shall be scheduled each year" and the timing of the Annual Meeting to "June of each year, or such other month as the Board may determine".