

AMERICAN DREAM CHARTER SCHOOL

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2017 AND 2016

AMERICAN DREAM CHARTER SCHOOL

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
American Dream Charter School

We have audited the accompanying financial statements of American Dream Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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. The procedures selected depend on the auditors' 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 American Dream Charter School as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2017, on our consideration of American Dream Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering American Dream Charter School's internal control over financial reporting and compliance.

Lotz + Carr, LLP

New York, New York
September 30, 2017

AMERICAN DREAM CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents (Notes 1b and 6)	\$1,304,642	\$ 813,042
Restricted cash - New York City Department of Education reserve (Note 5b)	75,104	50,039
Unconditional promises to give - unrestricted (Notes 1c and 2)	171,501	86,944
Prepaid expenses and other current assets	50,144	33,967
Security deposit	63,334	-
	<u>1,664,725</u>	<u>983,992</u>
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 3)	156,872	210,792
	<u>1,821,597</u>	<u>\$1,194,784</u>
Total Assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 48,201	\$ 65,872
Salaries, payroll taxes and benefits payable	295,938	181,638
Total Liabilities	<u>344,139</u>	<u>247,510</u>
Commitments and Contingency (Note 5)		
Net Assets		
Unrestricted		
Other	1,402,354	897,235
New York City Department of Education Reserve (Note 5b)	75,104	50,039
Total Net Assets	<u>1,477,458</u>	<u>947,274</u>
	<u>\$1,821,597</u>	<u>\$1,194,784</u>
Total Liabilities and Net Assets		

See notes to financial statements.

AMERICAN DREAM CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Changes in Unrestricted Net Assets		
Revenues and Other Support		
Public School District:		
Resident student enrollment - New York City		
Department of Education (Note 4)	\$4,126,781	\$2,765,368
Federal and state grants	342,773	352,249
Interest income	1,006	599
Other income	34,811	15,162
	<u>4,505,371</u>	<u>3,133,378</u>
 Expenses		
Program Services		
Regular Education	2,682,452	1,744,551
Special Education	569,006	416,010
Total Program Services	<u>3,251,458</u>	<u>2,160,561</u>
Supporting Services		
Management and general	723,729	482,611
Fundraising	-	187
Total Supporting Services	<u>723,729</u>	<u>482,798</u>
Total Expenses	<u>3,975,187</u>	<u>2,643,359</u>
 Increase in net assets	530,184	490,019
Net assets, beginning of year	<u>947,274</u>	<u>457,255</u>
 Net Assets, End of Year	<u><u>\$1,477,458</u></u>	<u><u>\$ 947,274</u></u>

See notes to financial statements.

AMERICAN DREAM CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 530,184	\$ 490,019
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	106,930	66,571
(Increase) decrease in:		
Unconditional promises to give	(84,557)	85,622
Prepaid expenses and other current assets	(16,177)	(14,690)
Security deposit	(63,334)	-
Increase (decrease):		
Accounts payable and accrued expenses	(17,671)	45,382
Salaries, payroll taxes and benefits payable	114,300	89,673
Net Cash Provided By Operating Activities	<u>569,675</u>	<u>762,577</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	<u>(53,010)</u>	<u>(157,027)</u>
Net increase in cash and cash equivalents	516,665	605,550
Cash and cash equivalents, beginning of year	<u>863,081</u>	<u>257,531</u>
 Cash and Cash Equivalents, End of Year	 <u><u>\$1,379,746</u></u>	 <u><u>\$ 863,081</u></u>

See notes to financial statements.

AMERICAN DREAM CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017 AND 2016****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

American Dream Charter School's ("ADCS") mission is to develop academic excellence in both Spanish and English, preparing students in grades 6 - 8 to excel in college.

The ADCS strongly believes that to facilitate success, it is important to cultivate a welcoming, encouraging environment for English language learners and immigrant students where learning and language development is supported. ADCS served the 6th, 7th and 8th grades in 2017 and the 6th and 7th grades in 2016.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, ADCS considers all highly liquid debt instruments, including money market funds, to be cash equivalents.

c - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to ADCS, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets. Temporarily restricted net assets are reclassified to unrestricted net assets.

d - Property and Equipment

Property and equipment are stated at cost and are being depreciated using the straight-line method over the estimated useful lives of the assets.

e - Financial Statement Presentation

ADCS is required to report 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.

f - Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

g - Tax Status

ADCS is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

AMERICAN DREAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

h - Subsequent Events

ADCS has evaluated subsequent events through September 30, 2017, the date that the financial statements are considered available to be issued.

Note 2 - Unconditional Promises to Give

Unconditional promises to give are due within one year. Uncollectible promises are expected to be insignificant.

Note 3 - Property and Equipment

A summary of property and equipment at June 30 is as follows:

	<u>Life</u>	<u>2017</u>	<u>2016</u>
Computer equipment	3 years	\$281,110	\$256,616
Furniture and fixtures	5 years	<u>81,582</u>	<u>53,066</u>
		362,692	309,682
Less: Accumulated depreciation		<u>(205,820)</u>	<u>(98,890)</u>
		<u>\$156,872</u>	<u>\$210,792</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$106,930 and \$66,571, respectively.

Note 4 - Resident Student Enrollment

ADCS's per pupil allocation is determined by the New York State Education Department using New York State's charter school funding formula.

AMERICAN DREAM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

Note 5 - Commitments and Contingency

- a - As part of a building utilization plan with the New York City Department of Education (the "Department"), ADCS is located in PS 30. The Department provides utilities and other maintenance and security services for the building during regular school hours.
- b - Under its current charter from the New York State Board of Regents, ADCS is required to maintain a cash reserve which it maintains in a separate bank account. ADCS is required to add \$25,000 per year for the first three years of its charter term so that the reserve eventually totals \$75,000.
- c - Government supported projects are subject to audit by the applicable granting agency.
- d - In June 2017, ADCS entered into a lease agreement for new classroom space with a term commencing on July 15, 2017 and ending on July 15, 2019. The future minimum annual obligation under this agreement is as follows:

<u>Year Ending June 30,</u>	
2018	\$364,167
2019	447,083
2020	18,750

Note 6 - Concentration of Credit Risk

ADCS's cash and cash equivalents is maintained in one financial institution.

Note 7- Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Trustees of
American Dream Charter School

We have audited the financial statements of American Dream Charter School as of and for the years ended June 30, 2017 and 2016, and our report thereon dated September 30, 2017, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended June 30, 2017 with comparative totals for 2016 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz + Carr, LLP

New York, New York
September 30, 2017

AMERICAN DREAM CHARTER SCHOOL
 SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

	No. of Positions	2017			2016		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Services Costs							
Administrative staff personnel	8	\$ 150,978	\$ 32,026	\$ 183,004	\$ 446,284	\$ -	\$ 629,288
Instructional personnel	33	1,607,866	341,062	1,948,928	-	-	1,948,928
Total Personnel Services Costs		1,758,844	373,088	2,131,932	446,284	-	2,578,216
Employee benefits and payroll taxes		383,925	81,439	465,364	97,415	-	562,779
Legal fees		-	-	-	7,690	-	7,690
Accounting and audit fees		-	-	-	105,400	-	105,400
Other purchased professional and consulting services		27,977	5,934	33,911	207	-	33,911
Repairs and maintenance		819	174	993	-	-	1,200
Insurance		20,829	4,418	25,247	5,286	-	30,533
Supplies		60,801	12,897	73,698	-	-	73,698
Equipment and furnishings		5,144	1,091	6,235	1,306	-	7,541
Board and staff development		27,441	5,821	33,262	6,962	-	40,224
Student and staff recruitment fees		27,025	5,733	32,758	1,698	-	34,456
Food service		-	-	-	-	-	2,855
Student services		166,752	35,372	202,124	-	-	202,124
Office expenses		129,259	27,419	156,678	32,797	-	189,475
Miscellaneous		689	146	835	175	-	1,010
Total expenses before depreciation		2,609,505	553,532	3,163,037	705,220	-	3,868,257
Depreciation		72,947	15,474	88,421	18,509	-	106,930
Total Expenses, 2017		\$2,682,452	\$569,006	\$3,251,458	\$ 723,729	\$ -	\$3,975,187
Total Expenses, 2016		\$1,744,551	\$416,010	\$2,160,561	\$ 482,611	\$ 187	\$2,643,359

See independent auditors' report on supplementary information.



**INDEPENDENT AUDITORS' 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 of
American Dream Charter School

We have audited, in accordance with the 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 American Dream Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered American Dream 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 American Dream Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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 American Dream 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

New York, New York
September 30, 2017