CHARTER SCHOOL FOR APPLIED TECHNOLOGIES AND AFFILIATES

SINGLE AUDIT REPORTING PACKAGE

JUNE 30, 2017

CHARTER SCHOOL FOR APPLIED TECHNOLOGIES AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Charter School for Applied Technologies

We have audited the accompanying consolidated balance sheets of Charter School for Applied Technologies and Affiliates (the Organization) as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Additional Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying additional information as listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

The accompanying additional information, including the schedule of expenditures of federal awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017 on our consideration of the Organization'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 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 the Organization's internal control over financial reporting and compliance.

Lumsden & McCormick, LLP

October 30, 2017

Consolidated Balance Sheets

June 30,	2017	2016
Assets		
Current assets:		
Cash	$ 7,620,540	$ 5,586,539
Receivables (Note 2)	2,322,744	987,981
Prepaid expenses and other assets	368,161	329,021
	10,311,445	6,903,541
Property and equipment, net (Note 3)	19,532,304	19,539,946
Investments held in trust (Note 4)	2,217,004	2,216,750
Other investments (Note 5)	5,251,531	4,864,679
	$ 37,312,284	$ 33,524,916
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt (Note 7)	$ 513,958	$ 478,958
Accounts payable and accrued expenses	2,846,229	2,437,029
Deferred revenue	50,744	98,132
	3,410,931	3,014,119
Long-term debt (Note 7)	17,652,297	18,166,255
Net assets:		
Unrestricted	16,249,056	12,344,542
	$ 37,312,284	$ 33,524,916

See accompanying notes.

Consolidated Statements of Activities

For the years ended June 30,	2017	2016
Support and revenue:		
Enrollment fees:		
Revenue - resident student enrollment	$ 25,162,245	$ 24,073,775
Revenue - students with disabilities	913,100	886,135
Revenue - additional state aid	887,367	438,855
Federal grants	2,303,243	2,111,068
State grants	39,709	39,260
Food service and vending	135,436	145,520
Investment income	425,741	93,735
Other income	2,112,352	1,713,394
Total support and revenue	31,979,193	29,501,742
Expenses:		
Program expenses:		
Regular education	17,173,620	15,827,570
Special education	1,594,125	1,554,962
Other programs	4,761,463	4,476,507
Total program expenses	23,529,208	21,859,039
Supporting services:		
Management and general	4,545,471	4,209,746
Total expenses	28,074,679	26,068,785
Change in net assets	3,904,514	3,432,957
Net assets - beginning	12,344,542	8,911,585
Net assets - ending	$ 16,249,056	$ 12,344,542

See accompanying notes.

Consolidated Statements of Cash Flows

For the years ended June 30,	2017	2016
Operating activities:		
Cash received from enrollment fees	$ 26,131,900	$ 25,106,440
Cash received from federal and state grants	1,814,837	2,067,697
Cash received from food service and vending	135,436	145,520
Interest received	116,021	113,981
Cash received from other sources	2,089,128	1,655,818
Payments to employees for services and benefits	(19,758,371)	(18,536,545)
Payments to vendors and suppliers	(5,815,873)	(5,588,718)
Interest paid	(1,434,842)	(1,467,030)
Net operating activities	3,278,236	3,497,163
Investing activities:		
Property and equipment expenditures	(687,891)	(251,604)
Deposits to investments held in trust, net	(254)	(230)
Purchases of other investments	(1,395,324)	(1,404,667)
Sales of other investments	1,318,192	1,327,500
Net investing activities	(765,277)	(329,001)
Financing activities:		
Principal repayments on long-term debt	(478,958)	(443,958)
Net change in cash	2,034,001	2,724,204
Cash - beginning	5,586,539	2,862,335
Cash - ending	$ 7,620,540	$ 5,586,539
Reconciliation of change in net assets to net cash flows from operating activities:		
Change in net assets	$ 3,904,514	$ 3,432,957
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,127,235	1,150,887
Realized and unrealized (gains) losses on other investments	(309,720)	20,246
Changes in operating assets and liabilities:		
Receivables	(1,334,763)	(395,132)
Prepaid expenses and other assets	(39,140)	(41,054)
Accounts payable and accrued expenses	(22,502)	(633,341)
Deferred revenue	(47,388)	(37,400)
Net operating activities	$ 3,278,236	$ 3,497,163

See accompanying notes.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies:

Organization:

The consolidated financial statements of Charter School for Applied Technologies and Affiliates (the Organization) include the accounts of Charter School for Applied Technologies (the School), EST, LLC (the LLC), and eDoctrina Corporation (the Corporation), affiliated entities of which the School is the sole member or stockholder.

The School operates a charter school in Buffalo and Kenmore, New York approved by the Board of Regents of the State of New York. The School offers classes from kindergarten through grade 12. The School is chartered through June 2020, after which time the charter may be renewed, upon application.

The Corporation was formed to serve as a resource to other educational institutions. Income is recorded as other income in the consolidated statements of activities.

EST, LLC was established to provide management services to the School and Corporation. During 2017 and 2016, the LLC had limited activity as management is evaluating the continuance of the LLC.

All significant inter-entity accounts and transactions have been eliminated in the accompanying consolidated financial statements.

Subsequent Events:

Management has evaluated events and transactions for potential recognition or disclosure through October 30, 2017, the date the consolidated financial statements were available to be issued.

Cash:

Cash in financial institutions potentially subjects the Organization to concentrations of credit risk, since it may exceed insured limits at various times throughout the year. The Organization maintains at least $75,000 in reserve funds to pay legal and audit expenses that would be associated with a dissolution should it occur.

Receivables:

Receivables are stated at the amounts management expects to collect from outstanding balances. Balances that are still outstanding after reasonable collection efforts are written off through a charge to bad debts expense and a credit to accounts receivable. An allowance for doubtful accounts is considered unnecessary by management because all significant amounts deemed uncollectible are written off each year.

Property and Equipment:

Property and equipment is stated at cost net of accumulated depreciation. Depreciation is provided using the straight-line method over estimated useful lives. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

Investments:

Investments are stated at fair value as determined by quoted prices in active markets.

Grants:

The Organization is the recipient of awards and reimbursements from federal, state, and local sources. The awards and reimbursements are subject to compliance and financial audits by the funding sources. Management believes no significant adjustments are necessary to recognized amounts.

The Organization records grant awards accounted for as exchange transactions as deferred revenue until related services are performed.

Transportation:

Several school districts provide the School with certain transportation services without cost to the charter school. The value of these services has not been recorded in these financial statements.

In August 2015, the School entered into a 5 year agreement whereby the Buffalo School District will provide student transportation services to city residents previously paid for by the School.

Enrollment Fees:

The School is reimbursed based on the approved operating expense per pupil of the public school district in which the student resides. The amount received each year from the resident district is the product of the approved operating expense per pupil and the full time equivalent enrollment of the students in the school residing in the district. Approximately 83% of enrollment fees are received annually from the Buffalo School District.

Income Taxes:

The School is a 501(c)(3) organization exempt from taxation under §501(a) of the Internal Revenue Code. The LLC is considered a disregarded entity for tax purposes. Consequently, all tax reporting for the LLC is consolidated with the activity of the Organization. The Corporation is taxed as a separate entity; taxable income and recognized income tax expense were not significant for 2017 or 2016. Management believes the Organization is no longer subject to examination by Federal and State taxing authorities for income tax filings for years ended prior to June 30, 2014.

Use of Estimates:

The preparation of consolidated 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cost Allocation:

The Organization's costs of providing its various programs and activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications:

The financial statements for the year ended June 30, 2016 have been reclassified to conform with the presentation adopted for 2017.

2. Receivables:

	2017	2016
Grants	$ 854,008	$ 325,893
Enrollment	1,370,856	540,044
Other	97,880	122,044
	$ 2,322,744	$ 987,981

In July 2017 and 2016, all New York State charter schools serving students in the fiscal 2017 and 2016 school years received additional state aid. The additional aid was based on the number of students served and was paid directly from the New York State Department of Education. Additional aid totaling $887,367 and $438,855 is included as enrollment fees receivable on the accompanying balance sheets as of June 30, 2017 and 2016, respectively.

3. Property and Equipment:

	2017	2016
Land	$ 323,845	$ 323,845
Building and improvements	26,932,725	26,758,189
Furniture and equipment	3,647,503	3,489,419
Vehicles	75,092	75,092
Construction in progress	786,973	-
	31,766,138	30,646,545
Less accumulated depreciation	12,233,834	11,106,599
	$ 19,532,304	$ 19,539,946

In 2017, the School entered into a $2.65 million construction contract related to a building expansion project. Management estimates the total cost of the expansion project will be $4 million, including amounts due under the construction contract. The work is expected to be completed in fiscal 2018. The expansion project will be financed primarily with the Series 2017 bonds obtained in July 2017 (Note 7).

4. Investments Held in Trust:

The following accounts are held by a trustee in compliance with the issuance of 2005 Series bonds (Note 7).

	2017	2016
Reserve Fund	$ 1,914,938	$ 1,914,938
Custodian and other funds	252,066	251,812
Repair fund	50,000	50,000
	$ 2,217,004	$ 2,216,750

5. Other Investments:

	2017	2016
Cash	$ 205,246	$ 143,246
Equities	1,979,489	1,876,953
Mutual funds	1,918,048	1,394,424
Fixed income	1,148,748	1,450,056
	$ 5,251,531	$ 4,864,679

Investment returns are as follows:

	2017	2016
Interest and dividends	$ 116,021	$ 113,981
Realized and unrealized gains (losses)	309,720	(20,246)
	$ 425,741	$ 93,735

Investment fees totaling $27,742 and $29,186 were expensed for the years ended June 30, 2017 and 2016.

6. Short-Term Borrowings:

The School has available a $1,000,000 demand line of credit from a financial institution, with interest payable at 1.50% plus LIBOR and secured by investments of the School. There were no amounts outstanding as of June 30, 2017 and 2016.

7. Long-Term Debt:

	2017	2016
Erie County Industrial Development Agency Civic (ECIDA) Facility Revenue Bonds (Charter School for Applied Technologies Project), Series 2005A (tax exempt) Bonds, principal payments beginning June 2016 in annual principal installments ranging from $515,000 to $1,790,000, plus interest from date of issuance at rates ranging from 6.250% to 6.875%, refinanced in July 2017 (see below).	$ 19,445,000	$ 19,995,000
Less unamortized debt issuance costs	895,315	945,055
Less unamortized bond discount	383,430	404,732
	18,166,255	18,645,213
Less current portion	513,958	478,958
	$ 17,652,297	$ 18,166,255

Aggregate maturities of net long-term debt subsequent to June 30, 2017 are:

	Principal	Unamortized Bond Discount	Unamortized Debt Issuance Costs
2018	$ 585,000	$ 49,740	$ 21,302
2019	625,000	49,740	21,302
2020	665,000	49,740	21,302
2021	710,000	49,740	21,302
2022	755,000	49,740	21,302
Thereafter	16,105,000	646,615	276,920
	$ 19,445,000	$ 895,315	$ 383,430

In June 2005, the School entered into an installment sale agreement with the ECIDA, principally to finance the cost of acquiring, renovating, and equipping certain buildings to be used for expansion of the School, including the establishment of a high school, and refinancing of existing debt. To finance the project, ECIDA authorized the sale of Civic Facility Revenue Bonds in the aggregate amount of $21,940,000 under a trust indenture with a bank as trustee. The sale is secured by mortgage and security agreements granting the trustee a mortgage lien on and security interest in real and personal property as well as certain revenues, subject to permitted encumbrances. The bonds are further secured by the reserve fund (Note 4).

Bond discount associated with the issuance of the 2005 Series bonds is amortized on a straight-line basis over the life of the bonds. Unamortized bond discount is presented as a reduction in the face amount of the bonds payable. Amortization of bond discounts was $21,302 for each of the years ended 2017 and 2016. Debt issuance costs are amortized as interest expense over the remaining term of the bonds. Amortization of bond issuance costs was $49,740 for each of the years ended June 30, 2017 and 2016.

Interest expense for the years ended June 30, 2017 and 2016 was $1,434,842 and $1,467,030.

In July 2017, the School entered into an agreement with Buffalo and Erie County Industrial Land Development Corporation to issue $22,845,000 tax exempt and $150,000 taxable bonds at a premium of $1,267,935 to refund the Series 2005 Bonds and finance the high school building expansion project (Note 3). Financing costs related to the new bond issuance are $805,910. Annual principal payments begin June 1, 2018 and range from $770,000 to $1,845,000, plus interest at rates ranging from 2.0% to 5.0%, through June 2035. Unamortized bond discount totaling $383,430 and unamortized debt issuance costs totaling $895,315 related to the series 2005 Bonds will be expensed in fiscal 2018.

8. Retirement Plans:

The Corporation maintains a defined contribution 401(k) profit sharing plan covering essentially all employees. Employer discretionary contributions to the plan totaled $55,266 and $93,416 for the years ended June 30, 2017 and 2016.

The School maintains a 403(b) plan covering qualified employees. The plan does not require employer contributions.

The School participates in the New York State Teachers' Retirement System (TRS) and New York State and Local Employees' Retirement System (ERS) (the Systems), which are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

New York State Teachers' Retirement System:

TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from TRS at www.nystrs.org.

New York State and Local Employees' Retirement System:

ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

Funding Policies:

No employee contribution is required for those whose service began prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the System from July 1976 through December 2009. Participants whose service began on or after January 1, 2010 through March 31, 2012 are required to contribute 3% (ERS) or 3.5% (TRS) of compensation throughout their active membership in the Systems. Participants whose service began on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation.

For ERS, the Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the School to the pension accumulation fund. The rates range from 9.3% to 15.9% for 2017 and 2016, dependent on the participant's tier. Required contributions for ERS were $313,000 and $320,986 for the years ended June 30, 2017 and 2016.

Pursuant to Article 11 of the Education Law, rates are established annually for TRS by the New York State Teachers' Retirement Board at an actuarially determined rate. The rate is 11.72% of the annual covered payroll as of June 30, 2017, and 13.26% for the year ended June 30, 2016. The required contributions for TRS were $1,180,618 and $1,242,235 for the years ended June 30, 2017 and 2016.

9. Lease Obligations:

The Organization leases certain equipment and property under terms of operating leases through July 2034. Rental expense for all operating leases amounted to $613,613 and $615,070 for the years ended June 30, 2017 and 2016.

Future minimum annual rentals due under these leases are:

2018	$ 672,286
2019	650,940
2020	668,182
2021	686,649
2022	656,118
Thereafter	9,523,737
	$ 12,857,912

10. Cash Flows Information:

Noncash investing and financing activities excluded from the statement of cash flows include accounts payable incurred for building expansion costs of $431,702 at June 30, 2017.

11. Contingencies:

The Organization may be subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, the outcome of any claims is not expected to have a material adverse effect upon the financial position of the Organization.

Additional Information
Consolidated Schedule of Expenses

For the year ended June 30, 2017 (with summarized comparative totals for 2016)

	2017						2016
	Number of positions	Regular Education	Special Education	Other Programs	Management and General	Total	Total
Administrative Staff	35.00	$ 928,855	$ 78,633	$ 96,871	$ 1,306,076	$ 2,410,435	
Instructional	191.74	8,218,799	1,101,859	-	-	9,320,658	
Non-Instructional	44.01	129,854	-	1,320,305	934,612	2,384,771	
	270.75	$ 9,277,508	$ 1,180,492	$ 1,417,176	$ 2,240,688	$ 14,115,864	
Salaries		$ 9,277,508	$ 1,180,492	$ 1,417,176	$ 2,240,688	$ 14,115,864	$ 12,800,233
Employee benefits and taxes		2,923,169	115,419	224,969	501,522	3,765,079	3,562,166
Retirement		1,212,006	47,855	81,083	207,940	1,548,884	1,656,637
Consultants		10,800	-	-	3,933	14,733	13,560
Contracted services		73,620	93,297	68,471	656,066	891,454	705,188
Equipment rental		65,905	-	-	2,732	68,637	73,605
Insurance		131,955	8,247	16,495	8,247	164,944	206,022
Interest		1,147,874	71,742	143,484	71,742	1,434,842	1,467,030
Building leases		567,565	-	28,800	-	596,365	625,395
Professional fees		23,503	-	160,121	38,471	222,095	162,832
Maintenance and repairs		151	-	16,177	39,124	55,452	95,713
Marketing		-	-	-	81,372	81,372	44,991
Minor equipment		84,233	-	50,380	265,866	400,479	183,559
Office expense		109,290	-	252,100	96,864	458,254	346,799
Supplies and materials		137,369	239	939,696	182,273	1,259,577	1,278,740
Other expenses		90,767	280	105,564	54,689	251,300	183,322
Staff development		104,318	704	7,127	18,092	130,241	72,056
Student services		-	-	784,569	-	784,569	852,000
Technology		-	-	297,761	-	297,761	194,905
Utilities		318,168	19,886	47,602	19,886	405,542	393,145
		16,278,201	1,538,161	4,641,575	4,489,507	26,947,444	24,917,898
Depreciation		895,419	55,964	119,888	55,964	1,127,235	1,150,887
Total		$ 17,173,620	$ 1,594,125	$ 4,761,463	$ 4,545,471	$ 28,074,679	$ 26,068,785

CHARTER SCHOOL FOR APPLIED TECHNOLOGIES AND AFFILIATES

Additional Information
Consolidating Balance Sheets

For the years ended June 30, **2017**

	School	LLC	Corp	Eliminations	**Consolidated Totals**
Assets					
Current assets:					
Cash	$ 6,971,142	23,807	$ 625,591	$ -	**$ 7,620,540**
Receivables	2,272,625	-	94,805	(44,686)	**2,322,744**
Prepaid expenses and other assets	340,695	20	27,446	-	**368,161**
	9,584,462	23,827	747,842	(44,686)	**10,311,445**
Property and equipment, net	19,523,719	-	8,585	-	**19,532,304**
Investments held in trust	2,217,004	-	-	-	**2,217,004**
Other investments	5,501,531	-	-	(250,000)	**5,251,531**
	$ 36,826,716	$ 23,827	$ 756,427	$ (294,686)	**$ 37,312,284**
Liabilities and Net Assets					
Current liabilities:					
Current portion of long-term debt	$ 513,958	$ -	$ -	$ -	**$ 513,958**
Accounts payable and accrued expenses	2,683,398	45,090	162,427	(44,686)	**2,846,229**
Deferred revenue	-	-	50,744	-	**50,744**
	3,197,356	45,090	213,171	(44,686)	**3,410,931**
Long-term debt	17,652,297	-	-	-	**17,652,297**
Net assets:					
Unrestricted	15,977,063	(21,263)	543,256	(250,000)	**16,249,056**
	$ 36,826,716	$ 23,827	$ 756,427	$ (294,686)	**$ 37,312,284**

2016				
School	LLC	Corp	Eliminations	Consolidated Totals
$ 4,986,834	$ 29,473	$ 570,232	$ -	$ 5,586,539
949,541	-	83,126	(44,686)	987,981
291,628	20	37,373	-	329,021
6,228,003	29,493	690,731	(44,686)	6,903,541
19,523,400	-	16,546	-	19,539,946
2,216,750	-	-	-	2,216,750
5,114,679	-	-	(250,000)	4,864,679
$ 33,082,832	$ 29,493	$ 707,277	$ (294,686)	$ 33,524,916
$ 478,958	$ -	$ -	$ -	$ 478,958
2,257,294	45,090	179,331	(44,686)	2,437,029
6,796	-	91,336	-	98,132
2,743,048	45,090	270,667	(44,686)	3,014,119
18,166,255	-	-	-	18,166,255
12,173,529	(15,597)	436,610	(250,000)	12,344,542
$ 33,082,832	$ 29,493	$ 707,277	$ (294,686)	$ 33,524,916

CHARTER SCHOOL FOR APPLIED TECHNOLOGIES AND AFFILIATES

Additional Information
Consolidating Statements of Activities

For the years ended June 30, **2017**

	School	LLC	Corp	Eliminations	**Consolidated Totals**
Support and revenue:					
Enrollment fees:					
Revenue - resident student enrollment	$ 25,162,245	$ -	$ -	$ -	**$ 25,162,245**
Revenue - students with disabilities	913,100	-	-	-	**913,100**
Revenue - additional state aid	887,367	-	-	-	**887,367**
Federal grants	2,303,243	-	-	-	**2,303,243**
State grants	39,709	-	-	-	**39,709**
Food service and vending	135,436	-	-	-	**135,436**
Investment income	422,343	4	3,394	-	**425,741**
Other income	109,507	-	2,022,360	(19,515)	**2,112,352**
Total support and revenue	29,972,950	4	2,025,754	(19,515)	**31,979,193**
Expenses:					
Program expenses:					
Regular education	17,193,135	-	-	(19,515)	**17,173,620**
Special education	1,594,125	-	-	-	**1,594,125**
Other programs	2,842,355	-	1,919,108	-	**4,761,463**
Total program expenses	21,629,615	-	1,919,108	(19,515)	**23,529,208**
Supporting services:					
Management and general	4,539,801	5,670	-	-	**4,545,471**
Total expenses	26,169,416	5,670	1,919,108	(19,515)	**28,074,679**
Change in net assets	3,803,534	(5,666)	106,646	-	**3,904,514**
Net assets - beginning	12,173,529	(15,597)	436,610	(250,000)	**12,344,542**
Net assets - ending	$ 15,977,063	$ (21,263)	$ 543,256	$ (250,000)	**$ 16,249,056**

2016				
School	LLC	Corp	Eliminations	Consolidated Totals
$ 24,073,775	$ -	$ -	$ -	$ 24,073,775
886,135	-	-	-	886,135
438,855	-	-	-	438,855
2,111,068	-	-	-	2,111,068
39,260	-	-	-	39,260
145,520	-	-	-	145,520
85,876	6	7,853	-	93,735
214,309	1,677	1,510,547	(13,139)	1,713,394
27,994,798	1,683	1,518,400	(13,139)	29,501,742
15,840,709	-	-	(13,139)	15,827,570
1,554,962	-	-	-	1,554,962
3,047,280	-	1,429,227	-	4,476,507
20,442,951	-	1,429,227	(13,139)	21,859,039
4,189,769	19,977	-	-	4,209,746
24,632,720	19,977	1,429,227	(13,139)	26,068,785
3,362,078	(18,294)	89,173	-	3,432,957
8,811,451	2,697	347,437	(250,000)	8,911,585
$ 12,173,529	$ (15,597)	$ 436,610	$ (250,000)	$ 12,344,542

Additional Information
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor Number	Expenditures
U.S. Department of Education			
Fund for the Improvement of Education	84.215	N/A	$ 221,033
Passed through New York State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	0021-16-4050	146,554
Title I Grants to Local Educational Agencies	84.010	0021-17-4050	734,443
English Language Acquistion State Grants	84.365	0293-16-4050	857
English Language Acquistion State Grants	84.365	0293-17-4050	2,889
Supporting Effective Instruction State Grants	84.367	0147-16-4050	4,463
Supporting Effective Instruction State Grants	84.367	0147-17-4050	29,808
Total New York State Department of Education			919,014
Total U.S. Department of Education			1,140,047
U.S. Department of Agriculture			
Passed through New York State Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	327,492
National School Lunch Program	10.555	N/A	784,414
Summer Food Service Program for Children	10.559	N/A	5,758
Total Child Nutrition Cluster			1,117,664
Passed through New York State Office of General Services:			
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	45,532
Total U.S. Department of Agriculture			1,163,196
Total Expenditures of Federal Awards			$ 2,303,243

See accompanying notes.

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs administered by Charter School for Applied Technologies and Affiliates (the Organization), an entity as defined in Note 1 to the Organization's consolidated financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the schedule of expenditures of federal awards.

Basis of Accounting

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the Organization's financial reporting system. The federal expenditures are recorded on an accrual basis.

Indirect Costs

The Organization does not use the 10% de minimis indirect cost rate permitted by the Uniform Guidance.

Non-Monetary Federal Program

The Organization is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2017, the Organization used $45,532 worth of commodities under the Child Nutrition Discretionary Grants Limited Availability program (CFDA Number 10.579).

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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*

The Board of Trustees
Charter School for Applied Technologies

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 consolidated financial statements of Charter School for Applied Technologies & Affiliates (the Organization), which comprise the consolidated balance sheet as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 the Organization's consolidated 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.

Lumsden & McCormick, LLP

October 30, 2017

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Trustees
Charter School for Applied Technologies

Report on Compliance for Each Major Federal Program

We have audited Charter School for Applied Technologies and Affiliates' (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items [2017-001] and [2017-002]. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item [2017-001] and [2017-002]. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Lumsden & McCormick, LLP

October 30, 2017

Schedule of Findings and Questioned Costs

For the year ended June 30, 2017

Section I. Summary of Auditors' Results

Consolidated Financial Statements

Type of auditors' report issued:	*Unmodified*
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to consolidated financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes [2017-001] [2017-002]
Type of auditors' report issued on compliance for major programs:	*Unmodified*
Any audit findings disclosed that are required to be reported in	
• accordance with section 2 CFR 200.516(a)?	Yes [2017-001] [2017-002]

Identification of major programs:

Name of Federal Program or Cluster	CFDA#	Amount
Child Nutrition Cluster		
School Breakfast Program	10.553	$ 327,492
National School Lunch Program	10.555	784,414
Summer Food Service Program for Children	10.559	5,758
Total Child Nutrition Cluster		$ 1,117,664

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II. Financial Statement Findings

No findings were reported.

Schedule of Findings and Questioned Costs (continued)

For the year ended June 30, 2017

Section III. Federal Award Findings and Questioned Costs

Finding 2017-001: U.S. Department of Agriculture, passed through New York State Department of Education, School Breakfast Program (CFDA Number 10.553), National School Lunch Program (CFDA Number 10.555), Summer Food Service Program for Children (CFDA Number 10.559)

Criteria: An organization participating in the Child Nutrition Cluster programs is required to ensure that applications for free and reduced price meals contain complete information including the names and income of all household members. If an organization receives an incomplete application, the incomplete application should be denied and the organization should notify the household of denial (7 CFR 245.6).

Condition: From our sample of 60 applications submitted to the School, we noted six incomplete applications in which the total household member count provided on the application exceeded the number of household members listed (not a statistical sample). These six incomplete applications were not denied upon review and student eligibility was determined based upon the incomplete application. Two of the six applications were determined to receive reduced priced meals and the remaining four were determined to receive free meals based upon the incomplete application. It was noted the School eligibility summary report for the 2016-17 school year contained approximately 2,100 students.

Cause: The School's policies did not include procedures to deny incomplete applications.

Effect: The School could potentially determine incorrect eligibility of free or reduced meal prices for students with incomplete applications.

Questioned Costs: Undetermined.

Recommendation: The School should implement policies and procedures during the application review process to deny incomplete applications and notify the household of denial.

Schedule of Findings and Questioned Costs (continued)

For the year ended June 30, 2017

Section III. Federal Award Findings and Questioned Costs, continued

Management's Response: The School is in the process of implementing improved policies and procedures, including adding additional staffing for the Child Nutrition Program to ensure proper review and approval of applications and eligibility.

Finding 2017-002: U.S. Department of Agriculture, passed through New York State Department of Education, School Breakfast Program (CFDA Number 10.553), National School Lunch Program (CFDA Number 10.555), Summer Food Service Program for Children (CFDA Number 10.559)

Criteria: An organization participating in the Child Nutrition Cluster programs is required to perform an annual calculation comparing the average paid lunch price to the difference between the Federal reimbursement rates for paid and free lunches (paid lunch equity calculation), to determine if a price adjustment is required for paid lunches. (7 CFR 210.14)

Condition: The School was unable to provide a completed paid lunch equity calculation for the 2016-17 year. The School charged $2.30 for a paid lunch during 2016-17 year.

Cause: The School's procedures did not include review and approval of the calculation for proper completion and accuracy.

Effect: The School's price for a paid lunch could be insufficient compared to the established reimbursement rate difference.

Questioned Costs: None.

Recommendation: The School should implement policies and procedures to ensure the calculation is performed annually and is reviewed and approved for accuracy and completeness.

Management's Response: The School is in the process of implementing improved policies and procedures, including adding additional staffing for the Child Nutrition Program, to ensure the calculation is completed, reviewed, and approved.

Corrective Action Plan (unaudited)

June 30, 2017

Finding 2017-001, 2017-002:

CFDA #10.553 School Breakfast Program
CFDA #10.555 National School Lunch Program
CFDA #10.559 Summer Food Service Program for Children

Corrective Action:

The School is currently in the process of implementing improved policies and procedures, including adding additional staffing, for the Child Nutrition Program to eliminate the likelihood of such findings.

Contact:

Tanya Moore, Chief Financial Officer, Charter School for Applied Technologies

Anticipated Completion Date:

By June 30, 2018

Summary Schedule of Prior Audit Findings

June 30, 2017

Finding 2016-001:

The School implemented an enhanced student identification system at the cafeteria registers which includes a photograph of the student purchasing the meal, resulting in this prior finding being fully corrected.