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**EMBER CHARTER SCHOOL FOR MINDFUL  
EDUCATION, INNOVATION & TRANSFORMATION**

**Financial Statements**

For the year ended June 30, 2018

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION  
& TRANSFORMATION**  
**Financial Statements**  
June 30, 2018

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## **Independent Auditors' Report**

To the Board of Trustees of  
Ember Charter School for Mindful Education, Innovation & Transformation  
Bronx, New York

### **Report on the financial statements**

We have audited the accompanying financial statements of Ember Charter School for Mindful Education, Innovation & Transformation, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements 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 audit 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 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 Ember Charter School for Mindful Education, Innovation & Transformation as of June 30, 2018, 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.

### **Prior period financial statements**

The financial statements of Ember Charter School for Mindful Education, Innovation & Transformation, as of and for the year ended June 30, 2017, were audited by other auditors whose report dated October 31, 2017 expressed an unmodified opinion on those statements.

### **Other reporting required by government auditing standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2018, on our consideration of Ember Charter School for Mindful Education, Innovation & Transformation'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 Ember Charter School for Mindful Education, Innovation & Transformation's internal control over financial reporting and compliance.

NCheng LLP

New York, New York  
October 31, 2018

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION  
& TRANSFORMATION**  
**Statement of Financial Position**  
June 30, 2018

	<u>2018</u>	<u>2017</u>
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 94,236	\$ 916,430
Grants receivable	281,796	184,279
Prepaid expenses	24,340	11,996
Employee advances	<u>62,819</u>	<u>89,989</u>
Total current assets	463,191	1,202,694
<b>Property and equipment, net - Note 3</b>	375,470	311,078
<b>Other assets</b>		
Security deposits	10,000	10,000
Restricted cash	<u>75,131</u>	<u>75,093</u>
Total assets	<u>\$ 923,792</u>	<u>\$ 1,598,865</u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Current liabilities</b>		
Accounts payable	\$ 217,054	\$ 118,577
Accrued salaries and other payroll related expenses - Note 4	545,453	1,135,997
Refundable advances	<u>17,011</u>	<u>7,510</u>
Total current liabilities	<u>779,518</u>	<u>1,262,084</u>
<b>Net Assets - unrestricted</b>		
Undesignated	69,143	261,688
Reserve - contingency	<u>75,131</u>	<u>75,093</u>
Total unrestricted net assets	<u>144,274</u>	<u>336,781</u>
Total liabilities and unrestricted net assets	<u>\$ 923,792</u>	<u>\$ 1,598,865</u>

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

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION  
& TRANSFORMATION**

**Statement of Activities**

For the year ended June 30, 2018

	<u>2018</u>	<u>2017</u>
<b><u>Operating revenue and other support</u></b>		
<b>State and local per pupil operating revenue:</b>		
General education	\$ 6,942,975	\$ 6,125,870
Special education	645,493	1,261,744
Facility lease assistance	366,666	103,803
	<u>7,955,134</u>	<u>7,491,417</u>
<b>Grants, contracts and other support:</b>		
Federal grants	742,425	245,200
State and local grants	40,465	37,208
Contributions	16,518	29,539
Interest and other income	35,862	36,197
	<u>8,790,404</u>	<u>7,839,561</u>
<b><u>Expenses</u></b>		
<b>Program Expenses</b>		
Regular education	6,706,721	6,516,430
Special education	1,387,908	1,287,326
	<u>8,094,629</u>	<u>7,803,756</u>
<b>Supporting Services</b>		
Management and general	813,862	502,811
Fund-raising	74,420	67,732
	<u>888,282</u>	<u>570,543</u>
<b>Total program and supporting services expenses</b>	<u>8,982,911</u>	<u>8,374,299</u>
Change in net assets	(192,507)	(534,738)
Unrestricted net assets - beginning of year	336,781	871,519
	<u>\$ 144,274</u>	<u>\$ 336,781</u>

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

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION  
& TRANSFORMATION**

**Statement of Functional Expenses**

For the year ended June 30, 2018

	Program expenses			Supporting services		Total 2018
	Regular education	Special education	Total programs	Management & general	Fund-raising	
<b>Salaries and staff</b>						
Instructional staff	\$ 3,812,660	\$ 792,017	\$ 4,604,677	\$ 41,321	\$ 20,660	\$ 4,666,658
Administrative staff	176,089	60,030	236,119	341,289	30,390	607,798
Total salaries and staff	3,988,749	852,047	4,840,796	382,610	51,050	5,274,456
<b>Operating expenses</b>						
Payroll taxes and fringe benefits	972,622	207,764	1,180,386	93,297	12,448	1,286,131
Professional fees	-	-	-	39,641	-	39,641
Legal settlement net of insurance reimbursement	-	-	-	200,200	-	200,200
Outside services - consultants	161,331	28,493	189,824	23,265	372	213,461
Professional development	78,284	13,189	91,473	3,594	-	95,067
Student field trips	41,877	7,055	48,932	-	-	48,932
Office expenses and supplies	102,385	21,871	124,256	9,827	2,223	136,306
Food services	491,603	82,824	574,427	-	-	574,427
Information and technology	10,414	2,225	12,639	995	137	13,771
Telephone and internet	48,451	10,350	58,801	4,647	620	64,068
Insurance	35,143	7,507	42,650	3,371	450	46,471
Instructional materials	128,424	21,637	150,061	-	-	150,061
Furniture and equipment	26,077	4,486	30,563	196	26	30,785
Classroom supplies	44,946	7,719	52,665	312	41	53,018
Conferences	33,394	5,626	39,020	-	-	39,020
Postage and shipping	1,390	297	1,687	133	18	1,838
Repairs and maintenance	53,598	11,449	65,047	5,142	686	70,875
Rent	285,763	60,161	345,924	26,320	3,760	376,004
Advertising and recruiting	78,810	16,835	95,645	7,559	1,009	104,213
Bad debts	-	-	-	911	-	911
Depreciation and amortization	123,460	26,373	149,833	11,842	1,580	163,255
Total operating expenses	2,717,972	535,861	3,253,833	431,252	23,370	3,708,455
Total expenses	\$ 6,706,721	\$ 1,387,908	\$ 8,094,629	\$ 813,862	\$ 74,420	\$ 8,982,911

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

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION  
& TRANSFORMATION**

**Statement of Functional Expenses**

For the year ended June 30, 2017

	Program expenses			Supporting services		Total 2017
	Regular education	Special education	Total programs	Management & general	Fund-raising	
<b>Salaries and staff</b>						
Instructional staff	\$ 4,195,223	\$ 821,236	\$ 5,016,459	\$ 50,000	\$ 25,000	\$ 5,091,459
Administrative staff	141,128	48,377	189,505	275,770	24,488	489,763
Total salaries and staff	4,336,351	869,613	5,205,964	325,770	49,488	5,581,222
<b>Operating expenses</b>						
Payroll taxes and fringe benefits	873,456	175,163	1,048,619	65,619	9,968	1,124,206
Professional fees	3,182	638	3,820	38,769	36	42,625
Outside services - consultants	189,174	32,298	221,472	16,400	152	238,024
Professional development	98,988	16,677	115,665	4,018	-	119,683
Student field trips	58,899	9,923	68,822	-	-	68,822
Office expenses and supplies	91,471	18,344	109,815	6,872	1,343	118,030
Food services	48,152	8,113	56,265	-	-	56,265
Information and technology	63,433	12,721	76,154	4,765	724	81,643
Telephone and internet	57,783	11,588	69,371	4,341	659	74,371
Insurance	38,107	7,642	45,749	2,863	435	49,047
Instructional materials	148,362	24,996	173,358	-	-	173,358
Furniture and equipment	26,669	4,650	31,319	367	56	31,742
Classroom supplies	37,145	6,333	43,478	176	27	43,681
Conferences	20,739	3,494	24,233	-	-	24,233
Postage and shipping	1,571	315	1,886	118	18	2,022
Repairs and maintenance	65,550	13,146	78,696	4,925	748	84,369
Rent	117,515	23,566	141,081	8,828	1,341	151,250
Advertising and recruiting	109,111	21,881	130,992	8,197	1,245	140,434
Bad debts	-	-	-	959	-	959
Depreciation and amortization	130,772	26,225	156,997	9,824	1,492	168,313
Total operating expenses	2,180,079	417,713	2,597,792	177,041	18,244	2,793,077
Total expenses	\$ 6,516,430	\$ 1,287,326	\$ 7,803,756	\$ 502,811	\$ 67,732	\$ 8,374,299

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

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION  
& TRANSFORMATION**

**Statements of Cash Flows**

For the year ended June 30, 2018

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (192,507)	\$ (534,738)
Adjustments to reconcile change in net assets to to net cash used in operating activities		
Depreciation	163,255	168,313
Gain on disposal of property, plant and equipment	(300)	(168)
Bad debt	911	959
Changes in operating assets and liabilities		
Grants receivable	(97,517)	(77,581)
Prepaid expenses	(12,344)	52,271
Employee advances	26,259	(50,906)
Security deposits	-	(10,000)
Accounts payable	98,477	57,687
Accrued salaries and other payroll related expenses - Note 4	(590,544)	(165,521)
Refundable advances	9,501	2,405
Net cash used in operating activities	<u>(594,809)</u>	<u>(557,279)</u>
<b>Cash flows used in investing activities</b>		
Proceeds from reserves	(38)	(12)
Proceeds from sale of assets	300	200
Acquisition of property, plant and equipment	<u>(227,647)</u>	<u>(119,831)</u>
Net cash used in investing activities	<u>(227,385)</u>	<u>(119,643)</u>
Net decrease in cash and cash equivalents	(822,194)	(676,922)
Cash and cash equivalents - beginning of year	<u>916,430</u>	<u>1,593,352</u>
Cash and cash equivalents - end of year	<u>\$ 94,236</u>	<u>\$ 916,430</u>
<b>Supplemental disclosure</b>		
Acquisition of property, plant and equipment	<u>\$ -</u>	<u>\$ 18,951</u>

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

# **EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION & TRANSFORMATION**

## **Notes to Financial Statements**

June 30, 2018

### **Note 1 - Organization**

Ember Charter School for Mindful Education, Innovation & Transformation (the “School”), was formerly known as Teaching Firms of America Professional Preparatory Charter School. Ember Charter School for Mindful Education, Innovation & Transformation is a public charter school located in Brooklyn, New York. The School opened in 2010 and currently operates classes from kindergarten to sixth grade. On March 13, 2017, a charter renewal was granted for a term up to and including June 30, 2022. The School’s mission is to prepare students to become the future professionals (lawyers, doctors, scientists, entrepreneurs, etc.) who will lead our global society in the 21st century. The School’s vision is to provide a fun, “college-successful”, community-centered, culturally rich and relevant preparatory school experience to its students, where they will be nurtured, challenged and cultivated into highly intelligent, creative and critically thinking young leaders.

### **Note 2 - Summary of significant accounting policies**

**Basis of presentation and use of estimates.** The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Net asset presentation.** The classification of the School's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of changes in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

- Permanently restricted - net assets resulting from contributions and other inflows of assets whose use by the 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 School. The School has no permanently restricted net assets at June 30, 2018 and 2017.

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION  
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**Notes to Financial Statements**

June 30, 2018

**Note 2 - Summary of significant accounting policies**\_(continued)

- Temporarily restricted - net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. The School has no temporarily restricted net assets at June 30, 2018 and 2017.
- Unrestricted - the part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

**Cash and cash equivalents.** The School considers all short-term, highly liquid investments, such as money market funds, to be cash equivalents.

**Grants receivable.** Grants receivable are recorded at net realizable value. The allowance for doubtful accounts is the School's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. Grants receivable are \$281,796 and \$184,279 at June 30, 2018 and 2017, respectively. There are no allowances recorded at June 30, 2018 and 2017, as management believes all amounts are collectability.

**Donated goods and services.** The School receives donated services from unpaid volunteers. No amounts have been recognized in the accompanying statement of activities and changes in net assets, since the services do not meet the specialized skill criteria for recognition under U.S. GAAP

The School is located in a New York City Department of Education facility and utilizes approximately 116,000 square feet at no charge. In addition, the School received donated transportation and food service services from the local district. The School was unable to determine a value for these services.

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION  
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**Notes to Financial Statements**

June 30, 2018

**Note 2 - Summary of significant accounting policies**\_(continued)

**Restricted cash.** Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with dissolution, should such event occur.

**Revenue recognition.** The School recognizes revenue from the state and local governments based on the School's charter status and the number of students enrolled. Such revenue is recorded when services are performed, in accordance with the charter agreement. The New York State Department of Education mandates the rate per pupil. Such revenue is recognized ratably over the related school year in which it is earned.

Grants and contracts revenue is recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance, or any unspent funds for which qualifying expenditures have not been incurred, are recorded as refundable advances. Any unspent amounts usually are returned to the granting agency. However, the granting agency can approve that those amounts be applied to a future grant period.

**Functional allocation of expenses.** The cost of providing the various programs and other activities has been summarized on an individual basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expense includes expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the School.

**Property, plant and equipment.** Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. The School capitalizes additions and significant improvements in excess of \$1,500. Items with an acquisition cost of less than \$1,500 or a useful life of less than one year are expensed in the year purchased. Depreciation is computed using the straight-line method over estimated useful lives of the respective assets. The estimated depreciable lives of the different classes of property are as follows:

<u>Asset</u>	<u>Useful life</u>
Furniture and fixtures	6 years
Leasehold improvements	6 years
Office equipment	6 years
Computer equipment	3 years

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION  
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**Notes to Financial Statements**  
June 30, 2018

**Note 2 - Summary of significant accounting policies** (continued)

**Refundable advances.** Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying statement of financial position.

**Income taxes.** The School is tax-exempt under Section 501 (c)(3) of the Internal Revenue Code (IRC) and has been classified as a publicly supported organization as described in IRC sections 509(A)(1) and 170(B)(1)(A)(II).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the financial statement.

The School is no longer subject to income tax examination by federal, state, or local tax authorities for years before June 30, 2014.

**Subsequent events.** Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through October 31, 2018, the date that the financial statements were available to be issued.

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION  
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**Notes to Financial Statements**

June 30, 2018

**Note 3 Property, plant and equipment**

Property and equipment consist of the following at June 30,

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 521,685	\$ 486,937
Furniture and fixtures	109,690	86,586
Computer equipment	327,634	233,806
Office and telephone equipment	259,405	194,505
Software	<u>100,495</u>	<u>89,428</u>
	1,318,908	1,091,262
Less: Accumulated depreciation	<u>(943,438)</u>	<u>(780,184)</u>
Total	<u>\$ 375,470</u>	<u>\$ 311,078</u>

**Note 4 Accrued salaries and other payroll-related expenses**

Accrued payroll and benefits consist of amounts due to staff for payroll earned during the school year but paid over the summer months. As of June 30, 2018 and 2017, total accrued salaries and other payroll-related expenses amounted to \$545,453 and \$1,135,997, respectively.

**Note 5 Retirement plan**

The School offers a 401(k) plan for all qualifying employees who are age 21 or older. Employees are eligible for the plan immediately upon employment. Participation in the plan is voluntary. Employees can make pretax contributions up to a maximum of 95% of their annual compensation, up to IRS limits for each calendar year. For employees that have completed one year of eligibility service, the School matches 100% an employee's contribution up to 3% of the employee's annual compensation and 50% of an employee's contribution that are between 3% and 5% of an employee's annual compensation. For the years ended June 30, 2018 and 2017, the School's matching contribution was \$143,045 and \$122,003, respectively. Such plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the plan's participants and beneficiaries.

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION  
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**Notes to Financial Statements**

June 30, 2018

**Note 6 Concentrations of risk**

The School maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The School believes it is not exposed to significant credit risk on cash and cash equivalents.

The School received approximately 92% and 96% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York City Department of Education during the year ended June 30, 2018 and 2017, respectively. Additionally the School's grants receivable consists of approximately 99% from the New York Department of Education.

**Note 7 Commitments and contingencies**

The School participates in a number of federal and state programs. These programs require that the School comply with certain requirements of laws, regulations, contracts, and grant agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the School's financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

The School has employment agreements with four key members of management which generally provide for minimum annual base compensation, bonus of up to 150% of base compensation, and other benefits. Due to the School's negative working capital and negative cash flows, the School has continued to negotiate its employment agreements with these four key members to avoid future deficits.

**Litigation**

From time to time, the School is a defendant in actions arising in the ordinary course of business. Legal settlement was accrued based on management best estimate of its outcome. In the opinion of management, such litigation will not have a material adverse effect on the School's financial condition or change in net assets.

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION  
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**Notes to Financial Statements**

June 30, 2018

**Note 8 - Support services**

The School entered into an agreement (the “Agreement”) with third party to provide assistance with accounting and bookkeeping, financial reporting and budgeting, and grant financial management. The agreement expired on June 30, 2018, but was renewed for an additional year. As of June 30, 2018 and 2017, fees under the agreement amounted to \$23,041 and \$25,530, respectively.

## **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  
Ember Charter School for Mindful Education, Innovation & Transformation  
New York, New York

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 Ember Charter School for Mindful Education, Innovation & Transformation, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2018.

### **Internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered Ember Charter School for Mindful Education, Innovation & Transformation'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 Ember Charter School for Mindful Education, Innovation & Transformation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ember Charter School for Mindful Education, Innovation & Transformation'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 Ember Charter School for Mindful Education, Innovation & Transformation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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.

A handwritten signature in blue ink that reads "NCheng LLP". The signature is written in a cursive, slightly slanted style.

New York, New York  
October 31, 2018

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION  
& TRANSFORMATION**  
**Schedule of Prior Year Findings and Questioned Costs**  
For the year ended June 30, 2018

Finding No. 2017-001 – Payroll

**Criteria:** Employers generally must withhold federal income tax from employees' wages. Employers must also provide employees with W-2 reports explaining the compensation paid and withholding amounts. Employers generally must also withhold part or Social Security and Medicare taxes from employees' wages and pay a matching amount.

**Condition:** Employees' W-2 reports were understated. Related income and payroll taxes were not properly withheld, and the School did not pay the matching payroll tax amount.

**Cause:** At the request of three employees, the School processed part of its annual employee bonuses outside of its third-party payroll service provider.

**Effect:** The School is noncompliant with Internal Revenue Service requirements.

**Recommendation:** We recommend that the School process all payroll through its third-party service provider.

**Views of Responsible**

**Officials:** We will take all necessary steps to appropriately abate this good-faith error and appropriately account for payments to these three employees through payroll, including the update, filing and payment of all tax-related matters.

**Current Status:** The recommendation was adopted. No similar findings were noted in the current year audit

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION  
& TRANSFORMATION**

**Schedule of Prior Year Findings and Questioned Costs**

For the year ended June 30, 2018

Finding No. 2017-002 – Teacher certification

Criteria: Teachers must be certified. However, there is a teacher certification exemption that allows charter schools to have uncertified teachers for 30% of their teaching staff, or 15 teachers, whichever is less.

Condition: The School has 45 teachers. Of that number, 22 teachers were uncertified.

Cause: The School did not hire certified teachers, The School did not enforce that returning teachers remain current with their certification.

Effect: The School is not compliant with federal and state regulations that all teachers are New York certified, except for the exemptions noted above.

Recommendation: We recommend that the School hire teachers who are New York State certified in the subject and grade level for their assignment.

Questioned costs: N/A

Views of Responsible

Officials: The recent changes in New York State's teacher certification rules have resulted in longer time for the processing and compliance of certifications requirements for some of our teachers (14 of the 22 uncertified teachers are pending certification). We are working with the teachers involved to clear these certification challenges by the end of SY2017-18. Teachers who do not have these matters resolved by this deadline may not be asked to return for the following school year.

Current status: Per SUNY's interpretation of the criteria, assistant or associate teachers do not have to be counted in the population. For current fiscal years only 7 out of the 23 lead teachers were not certified, and at least 5 of these uncertified teachers are teaching math, science, computer science, technology or career and technical education. Therefore, this school is in compliance regarding the teacher qualification.