

EVERGREEN CHARTER SCHOOL

**Financial Statements
and
Supplementary Information
For the Years Ended
June 30, 2017
and
June 30, 2016**

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Independent Auditor's Report

To the Board of Trustees of
Evergreen Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Evergreen Charter School (the "School") which comprise the statement of financial position as of June 30, 2017 and June 30, 2016 and the related statements of activities, functional expenses 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audits 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 on the previous page present fairly, in all material respects, the financial position of Evergreen Charter School as of June 30, 2017 and June 30, 2016 and the results of its activities 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 27, 2017 on our consideration of the 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 the School's internal control over financial reporting and compliance.

Cordon O'Meara McGuff & Donnelly LLP

EVERGREEN CHARTER SCHOOL

Statement of Financial Position

Assets

	June 30	
	2017	2016
Current assets		
Cash	\$ 1,657,089	\$ 440,375
Government contracts receivable	249,367	876,595
Other receivables	42,418	36,119
Prepaid expenses	155,984	144,920
Total current assets	2,104,858	1,498,009
Restricted cash	75,000	75,000
Property and equipment, net	912,507	1,015,132
Total assets	\$ 3,092,365	\$ 2,588,141

Liabilities and Unrestricted Net Assets

Current liabilities		
Line of credit	\$ -	\$ 97,800
Accounts payable and accrued expenses	642,401	420,902
Unearned revenue	-	11,013
Total liabilities	642,401	529,715
Unrestricted net assets	2,449,964	2,058,426
Total liabilities and unrestricted net assets	\$ 3,092,365	\$ 2,588,141

See notes to financial statements.

EVERGREEN CHARTER SCHOOL
Statement of Activities

	For the Year Ended June 30	
	2017	2016
Support and revenue		
Public School Districts --		
Student enrollment	\$ 7,015,291	\$ 5,516,032
Other	32,500	30,000
State grants	279,698	207,216
Federal grants	78,477	84,411
Other	28,945	106,425
Total support and revenue	7,434,911	5,944,084
Expenses		
Program services		
Regular education	5,513,642	4,489,571
Special education	324,254	207,656
Total program services	5,837,896	4,697,227
Supporting services		
Management and general	1,205,477	1,162,692
Total expenses	7,043,373	5,859,919
Increase in unrestricted net assets	391,538	84,165
Unrestricted net assets, beginning of year	2,058,426	1,974,261
Unrestricted net assets, end of year	\$ 2,449,964	\$ 2,058,426

See notes to financial statements.

EVERGREEN CHARTER SCHOOL

**Statement of Functional Expenses
For the Years Ended June 30, 2017 and June 30, 2016**

	2017				2016			
	Program Services		Supporting Services	Total	Program Services		Supporting Services	Total
	Regular Education	Special Education	Management and General		Regular Education	Special Education	Management and General	
Salaries and wages	\$ 2,738,207	\$ 180,375	\$ 640,944	\$ 3,559,526	\$ 2,240,183	\$ 102,642	\$ 546,595	\$ 2,889,420
Payroll taxes and fringe benefits	724,686	27,862	127,217	879,765	552,289	25,305	134,756	712,350
Professional fees	66,937	8,881	103,141	178,959	56,612	7,473	153,528	217,613
Contracted services	25,906	1,707	-	27,613	24,402	896	-	25,298
Equipment rental/lease	35,044	2,308	8,203	45,555	33,718	1,538	8,190	43,446
Food	239,087	-	-	239,087	169,535	6,222	-	175,757
Insurance	25,332	1,669	5,929	32,930	17,129	781	4,161	22,071
Library	13,423	884	-	14,307	12,729	467	-	13,196
Maintenance and repairs	78,045	5,141	18,269	101,455	56,715	2,587	13,776	73,078
Middle school expansion	4,248	-	-	4,248	-	-	-	-
Mobile classroom	131,996	-	-	131,996	-	-	-	-
Occupancy	872,066	57,446	204,128	1,133,640	843,598	38,480	204,914	1,086,992
Other	57,435	10,383	5,090	72,908	46,954	2,142	11,405	60,501
Supplies and materials	129,363	8,522	30,281	168,166	108,345	4,942	26,317	139,604
Staff development	85,465	220	-	85,685	66,596	2,444	-	69,040
Telephone	26,406	1,739	6,181	34,326	9,462	432	2,299	12,193
Transportation (student)	19,639	1,293	-	20,932	16,416	602	-	17,018
Travel	716	38	-	754	1,253	46	-	1,299
Utilities	72,300	4,763	16,924	93,987	60,647	2,766	14,732	78,145
Depreciation and amortization	167,341	11,023	39,170	217,534	172,988	7,891	42,019	222,898
Total	\$ 5,513,642	\$ 324,254	\$ 1,205,477	\$ 7,043,373	\$ 4,489,571	\$ 207,656	\$ 1,162,692	\$ 5,859,919

See notes to financial statements.

EVERGREEN CHARTER SCHOOL

Statement of Cash Flows

	For the Year Ended June 30	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Increase in unrestricted net assets	\$ 391,538	\$ 84,165
Adjustments to reconcile increase in unrestricted net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	217,534	222,898
(Increase) decrease in assets		
Government contracts receivable	627,228	(742,652)
Other receivables	(6,299)	(3,642)
Prepaid expenses	(11,064)	(97,615)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	221,499	(92,698)
Due to related party	-	(27,717)
Unearned revenue	(11,013)	(15,703)
Net cash provided by (used in) operating activities	<u>1,429,423</u>	<u>(672,964)</u>
Cash flows (used in) investing activities		
Purchase of property and equipment	<u>(114,909)</u>	<u>(200,476)</u>
Cash flows from financing activities		
Proceeds from line of credit	277,100	97,800
Repayment of line of credit	<u>(374,900)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(97,800)</u>	<u>97,800</u>
Net increase (decrease) in cash	1,216,714	(775,640)
Cash, beginning of year	<u>515,375</u>	<u>1,291,015</u>
Cash, end of year	<u>\$ 1,732,089</u>	<u>\$ 515,375</u>
Consists of:		
Unrestricted	\$ 1,657,089	\$ 440,375
Restricted	<u>75,000</u>	<u>75,000</u>
Total	<u>\$ 1,732,089</u>	<u>\$ 515,375</u>

See notes to financial statements.

EVERGREEN CHARTER SCHOOL

Notes to Financial Statements June 30, 2017 and June 30, 2016

Note 1 – Nature of organization and summary of significant accounting policies

Nature of organization

The Evergreen Charter School (the “School”) is a New York State nonprofit corporation. The School’s primary goal is to nurture the intellectual, physical and social development of children, through a comprehensive program that promotes academic excellence and prepares its students for success in school and in life.

Basis of presentation

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the accounting standards for *Financial Statements of Not-for-Profit Organizations*. Accordingly, the net assets of the School are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Net assets of the restricted classes are created only by donor-imposed restrictions on their use. Donor-restricted contributions whose restrictions are met in the same accounting period are reported as unrestricted contributions.

As of June 30, 2017 and June 30, 2016, the School has no temporarily or permanently restricted net assets.

Funding

The School is funded through various contracts with the New York State Department of Education and through tuition based upon a per pupil allocation from the public school districts in which the students are registered.

Cash equivalents

The School deems all highly liquid investments with original maturities of 90 days or less to be cash equivalents. As of June 30, 2017 and June 30, 2016, the School has no cash equivalents.

Allowance for doubtful accounts

As of June 30, 2017 and June 30, 2016, the School’s management has determined that there are no potentially uncollectible receivables and thus, an allowance for doubtful accounts is not necessary. Such estimate is based on management’s experience, the aging of the receivables, subsequent receipts and current economic conditions.

EVERGREEN CHARTER SCHOOL**Notes to Financial Statements (continued)
June 30, 2017 and June 30, 2016****Note 1 – Nature of organization and summary of significant accounting policies (continued)**Property and equipment

Property and equipment are recorded at cost. The School capitalizes property and equipment expenditures over \$1,000. Leasehold improvements are being amortized using the straight-line method over a ten year period which is the lesser of the estimated useful life or lease term. Furniture and equipment is being depreciated using the straight-line method over estimated useful lives of five years.

In February 2016, the School purchased vacant land across from the School's property in Hempstead, New York for a total cost of \$102,356. The School intends to use this space for school expansion including but not limited to recreational space for children.

Revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All other revenue sources, including government grants and tuition, are recorded as revenue when earned.

Reimbursements under government contracts are subject to audits by the various government agencies. The effects of any potential audit disallowances for these contracts have been recognized in these financial statements.

In-kind services

A number of volunteers have donated time to the School. While these contributed services are important in assisting the School in carrying out its operations, these volunteer services have not been recorded in the accompanying statement of activities because they do not meet the revenue recognition criteria for recording such services.

Functional expenses and allocations

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated between the program and supporting services benefited.

EVERGREEN CHARTER SCHOOL

Notes to Financial Statements (continued)
June 30, 2017 and June 30, 2016

Note 1 – Nature of organization and summary of significant accounting policies (continued)

Use of 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 the amounts reported in the financial statements. Actual results could differ from these estimates.

Concentrations of credit risk

The School's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and receivables. The School places its cash with what it believes to be quality financial institutions. The School has not experienced any losses in such accounts to date. The School's receivables consist of amounts due from government contracts and other miscellaneous receivables. The School's management monitors its cash and the collectability of its receivables. As a result, the School believes no significant concentrations of credit risk exist with respect to its cash and receivables.

Subsequent events

The School has evaluated events and transactions for potential recognition or disclosure through September 27, 2017, which is the date the financial statements were available to be issued.

Note 2 – Restricted cash

In accordance with New York State Board of Education Regulations, the School established an escrow account in order to be able to cover certain expenses in the case of insolvency of the School.

Note 3 – Property and equipment

A summary of the property and equipment as of June 30, 2017 and June 30, 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 102,356	\$ 102,356
Leasehold improvements	1,109,298	1,096,918
Furniture and equipment	<u>629,262</u>	<u>788,046</u>
Sub-total	1,840,916	1,987,320
Less: accumulated depreciation and amortization	<u>928,409</u>	<u>972,188</u>
Total	<u>\$ 912,507</u>	<u>\$ 1,015,132</u>

During the 2017 and 2016 fiscal years, the School wrote off fully depreciated assets totaling \$261,313 and \$113,495, respectively.

EVERGREEN CHARTER SCHOOL

**Notes to Financial Statements (continued)
June 30, 2017 and June 30, 2016**

Note 4 – Commitments

Community Center lease

In January 2010, the School entered into a 5-year lease agreement with Círculo de la Hispanidad, Inc. (the “Agency”), a related party, to rent space at its Community Center. In December 2011, the Agency and the School agreed to extend the lease one year to expire in January 2016 per the School’s request to comply with a grant funding requirement. In January 2016, the Agency and the School agreed to extend the lease for fifteen years to expire January 2031. The School and Agency are currently in negotiations to modify the lease to include the rental of additional space. The rental expense for the 2017 and 2016 fiscal years was approximately \$1,114,000 and \$1,066,000, respectively.

Church lease

In August 2017, the School entered into a 3 year lease for additional space expiring August 2020. The lease requires monthly payments of \$13,871 with annual increases of 3% per year thereafter. The School has the option to extend the lease for two terms of one year.

Office equipment lease

In February 2014, the School entered into a five-year operating lease agreement for office equipment.

As of June 30, 2017, the future minimum annual payments under the lease agreements are as follows:

<u>Fiscal Year</u>	<u>Community Center</u>	<u>Church</u>	<u>Office Equipment</u>	<u>Total</u>
2018	\$ 1,130,673	\$ 152,581	\$ 19,536	\$ 1,302,790
2019	1,164,593	171,028	13,024	1,348,645
2020	1,199,531	176,163	-	1,375,694
2021	1,235,517	14,716	-	1,250,233
2022	1,272,582	-	-	1,272,582
2023 and thereafter	<u>12,473,663</u>	<u>-</u>	<u>-</u>	<u>12,473,663</u>
Total	<u>\$18,476,559</u>	<u>\$ 514,488</u>	<u>\$ 32,560</u>	<u>\$19,023,607</u>

Line of credit

In June 2016, the School obtained a \$500,000 revolving line of credit with a bank. The line bears interest at the Wall Street Journal’s Prime Rate plus .5%. The line is secured by the personal property of the School. As of June 30, 2017, there was no balance outstanding under the line.

EVERGREEN CHARTER SCHOOL

**Notes to Financial Statements (continued)
June 30, 2017 and June 30, 2016**

Note 5 – Retirement plan

The School sponsors a non-contributory 403(b) plan that covers all eligible employees. An eligible employee can defer a portion of his/her compensation not to exceed limits set by the Internal Revenue Code for a 403(b) plan. During 2017, the School contributed \$2,990 to the plan. The School did not contribute to the plan in 2016.

Note 6 – Related party transactions

The Chair, Vice Chair and a member of the Board of Trustees of the School are the Executive Director, Assistant Executive Director and an employee, respectively, of the Agency, a not-for-profit organization. During the 2017 and 2016 fiscal years, the School reimbursed the Agency approximately \$111,000 and \$146,000, respectively, for expenses paid by the Agency relating to the School's utilities, repair and maintenance and other shared costs based upon the reimbursement methods detailed in the lease between the two organizations. In addition, the School entered into a lease agreement with the Agency to rent space (see note 4).

Note 7 – Tax status

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the School has been determined by the Internal Revenue Service to be a publicly supported organization and not a private foundation within the meaning of Section 509(a)(1) of the Code.

**Independent Auditor's Report on Internal Control
Over Financial Reporting
and on Compliance and Other Matters Based
on an Audit of Financial Statements
Performed in Accordance
With *Government Auditing Standards***

To the Board of Trustees of
Evergreen 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 Evergreen Charter School (the "School") which comprise the statement of financial position as of June 30, 2017 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 September 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or 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 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 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.

Condon O'Meara McGlynn & Donnelly LLP

EVERGREEN CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:		<u>Unmodified</u>	
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> _____	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	_____ <input checked="" type="checkbox"/> _____	None noted
Noncompliance material to financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> _____	No