

Growing Up Green Charter School

Financial Statements

June 30, 2018 and 2017



Independent Auditors' Report

Board of Trustees Growing Up Green Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Growing Up Green Charter School (the "School"), which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Auditors' 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2017. In our opinion, the summarized comparative statement of functional expenses presented herein for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2018, 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 solely 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 effectiveness of the School's 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.

PKF O'Connor Davies, LLP

Harrison, New York
October 5, 2018

Growing Up Green Charter School

Statements of Financial Position

	June 30,	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,896,611	\$ 1,208,828
Grants and contracts receivable	429,014	397,807
Prepaid expenses and other current assets	179,945	185,348
Due from related party	530,785	369,423
Total Current Assets	3,036,355	2,161,406
Property and equipment, net	1,256,332	1,459,231
Restricted cash - line of credit	755,215	752,378
Restricted cash - escrow	71,374	71,177
Security deposits	65,000	65,000
	\$ 5,184,276	\$ 4,509,192
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 49,226	\$ 65,531
Accrued payroll and payroll taxes	727,089	668,882
Refundable advances	6,537	8,619
Total Current Liabilities	782,852	743,032
Deferred rent	234,329	262,924
Total Liabilities	1,017,181	1,005,956
Net assets, unrestricted	4,167,095	3,503,236
	\$ 5,184,276	\$ 4,509,192

See notes to financial statements

Growing Up Green Charter School

Statements of Activities

	Year Ended June 30,	
	2018	2017
OPERATING REVENUE		
Public School District		
Regular student enrollment	\$ 11,846,560	\$ 11,299,592
Students with disabilities	1,840,939	1,505,551
Facilities funding	410,038	374,929
Grants and Contracts		
Federal - E-Rate, IDEA, and Titles	482,702	266,579
State and local	45,563	61,593
Total Operating Revenue	14,625,802	13,508,244
EXPENSES		
Program Services		
Regular education	8,932,774	9,036,691
Special education	3,452,820	2,870,786
Other education - after school	268,886	-
Total Program Services	12,654,480	11,907,477
Supporting Services		
Management and general	1,382,111	1,214,075
Fundraising	73,631	79,750
Total Expenses	14,110,222	13,201,302
Surplus from Operations	515,580	306,942
SUPPORT AND OTHER REVENUE		
Contributions	145,236	148,029
Other income	3,043	1,087
Total Support and Other Revenue	148,279	149,116
Change in Net Assets	663,859	456,058
NET ASSETS, UNRESTRICTED		
Beginning of year	3,503,236	3,047,178
End of year	\$ 4,167,095	\$ 3,503,236

See notes to financial statements

Growing Up Green Charter School

Statement of Functional Expenses
Year Ended June 30, 2018
(with summarized totals for the year ended June 30, 2017)

	No. of Positions	2018				2017			
		Regular Education	Special Education	After School	Total	Management and General	Fundraising	Total	Total
Personnel Services Costs									
Administrative staff personnel	17	\$ 727,430	\$ 305,733	\$ -	\$ 1,033,163	\$ 512,853	\$ 43,808	\$ 1,589,824	\$ 1,693,663
Instructional personnel	97	4,485,631	1,764,823	161,893	6,412,347	1,213	-	6,413,560	5,919,950
Non-Instructional personnel	11	166,068	64,679	-	230,747	271,195	2,680	504,622	343,352
Total Salaries and Staff	<u>125</u>	<u>5,379,129</u>	<u>2,135,235</u>	<u>161,893</u>	<u>7,676,257</u>	<u>785,261</u>	<u>46,488</u>	<u>8,508,006</u>	<u>7,956,965</u>
Fringe benefits and payroll taxes		1,256,395	498,724	37,813	1,792,932	183,413	10,858	1,987,203	1,697,877
Retirement		94,464	37,497	2,843	134,804	13,791	816	149,411	131,887
Legal fees		16,817	6,676	506	23,999	2,456	145	26,600	25,482
Accounting and audit services		-	-	-	-	54,250	-	54,250	55,250
Other purchased services		204,719	62,344	1,869	268,932	133,583	611	403,126	390,285
Rent expense		723,684	287,265	21,780	1,032,729	105,646	6,254	1,144,629	1,146,231
Repairs and maintenance		60,664	24,081	1,826	86,571	8,856	524	95,951	64,842
Insurance		48,152	19,114	1,449	68,715	7,030	416	76,161	73,382
Utilities		103,880	41,235	3,126	148,241	15,165	898	164,304	152,527
Supplies and materials		227,656	62,862	21,759	312,277	2,965	176	315,418	332,089
Equipment and furnishings		25,535	7,712	218	33,465	1,060	63	34,588	56,487
Staff and professional development		54,118	14,303	-	68,421	1,211	-	69,632	78,463
Marketing and recruiting		57,083	17,500	548	75,131	2,655	2,576	80,362	84,683
Technology		78,841	31,296	2,373	112,510	11,509	681	124,700	100,851
Food services		8,431	2,228	-	10,659	-	-	10,659	31,131
Student services		226,058	59,745	-	285,803	-	-	285,803	231,079
Office expense		104,112	41,327	3,133	148,572	15,198	900	164,670	181,563
Depreciation and amortization		241,377	95,814	7,265	344,456	35,237	2,086	381,779	368,790
Other		21,659	7,862	485	30,006	2,825	139	32,970	41,438
Total Expenses		<u>\$ 8,932,774</u>	<u>\$ 3,452,820</u>	<u>\$ 268,886</u>	<u>\$ 12,654,480</u>	<u>\$ 1,382,111</u>	<u>\$ 73,631</u>	<u>\$ 14,110,222</u>	<u>\$ 13,201,302</u>

Growing Up Green Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 663,859	\$ 456,058
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	381,779	368,790
Deferred rent	(28,595)	3,027
Changes in operating assets and liabilities		
Grants and contracts receivable	(31,207)	(174,715)
Prepaid expenses and other current assets	5,403	(51,115)
Due from related party	(161,362)	(38,722)
Accounts payable and accrued expenses	(16,305)	18,809
Accrued payroll and payroll taxes	58,207	114,163
Refundable advances	(2,082)	(3,250)
Net Cash from Operating Activities	869,697	693,045
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(178,880)	(434,940)
Restricted cash	(3,034)	(752,556)
Net Cash from Investing Activities	(181,914)	(1,187,496)
 Net Change in Cash and Cash Equivalents	687,783	(494,451)
 CASH AND CASH EQUIVALENTS		
Beginning of year	1,208,828	1,703,279
End of year	\$ 1,896,611	\$ 1,208,828

Growing Up Green Charter School

Notes to Financial Statements
June 30, 2018 and 2017

1. Organization and Tax Status

Growing Up Green Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on December 16, 2008 to operate a Charter School pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on December 16, 2008 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The Board of Regents approved and issued several renewals to the School's charter expiring on June 30, 2022. The School's mission is to empower children to be conscious, contributing members of their community through a rigorous curriculum and an engaging green culture. Graduates of the School will be prepared to attend high performing schools where their interdisciplinary academic foundations, knowledge of sustainability, and strong sense of self sets them apart as leaders of the future. Classes commenced in Long Island City, New York, on September 9, 2009 and the School provided education to approximately 796 students in grades kindergarten through eighth during the 2017-2018 academic year.

The New York City Department of Education provides free lunches and transportation directly to some of the School's students. Such costs are not included in these financial statements. The School covers a portion of the cost of lunches for children not entitled to the free lunches.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance 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. Accordingly actual results could differ from those estimates.

Growing Up Green Charter School

Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (*continued*)

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Unrestricted - consist of resources available for the general support of the School's operations. Unrestricted net assets may be used at the discretion of the School's management and Board of Trustees.

Temporarily Restricted - represent amounts restricted by donors for specific activities of the School or to be used at some future date. The School records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions are met in the same accounting period in which they are received, such amounts are reported as unrestricted net assets.

Permanently Restricted - consist of net assets that are subject to donor imposed restrictions that require the School to maintain them permanently, including funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income and gains earned on endowment fund investments are available to be used in the unrestricted or temporarily restricted net asset classes based upon stipulations by the donors.

The School had no temporarily or permanently restricted net assets at June 30, 2018 and 2017.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances held in bank accounts and highly liquid financial instruments with maturities of three months or less at the time of purchase.

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 a dissolution, should it occur.

Under a line of credit agreement, the School granted the lender a security interest in one of its deposit accounts to secure the indebtedness of Growing Up Green II (see note 8). At June 30, 2018, there was no balance payable on the line of credit.

Growing Up Green Charter School

Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Equipment	5 years
Furniture and fixture	7 years
Software	3 years
Website development	5 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2018 and 2017.

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

Revenue and Support

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Growing Up Green Charter School

Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (*continued*)

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2015.

Prior Year Summarized Comparative Financial Information

The statement of functional expenses includes prior-year summarized comparative information in total but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the School's statement of functional expenses for the year ended June 30, 2017, from which the summarized information was derived.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 5, 2018.

Reclassification

Certain accounts in the 2017 financial statements have been reclassified to conform to the 2018 financial statement presentation.

3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state and city entitlements and grants. The School expects to collect these receivables within one year.

Growing Up Green Charter School

Notes to Financial Statements
June 30, 2018 and 2017

4. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 966,579	\$ 892,478
Furniture and fixtures	507,012	495,490
Software and website development	19,133	19,133
Leasehold improvements	<u>1,382,953</u>	<u>1,289,696</u>
	2,875,677	2,696,797
Accumulated depreciation and amortization	<u>(1,619,345)</u>	<u>(1,237,566)</u>
	<u>\$ 1,256,332</u>	<u>\$ 1,459,231</u>

5. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 401(k), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 5% of the participant's annual compensation. Employer match for the years ended June 30, 2018 and 2017 amounted to \$149,411 and \$131,887.

6. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2018 and 2017, approximately \$2,470,000 and \$1,780,000 of cash was maintained with an institution in excess of FDIC limits.

7. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2018 and 2017, the School received approximately 95% and 97% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

Growing Up Green Charter School

Notes to Financial Statements
June 30, 2018 and 2017

8. Related Party Transactions (not disclosed elsewhere)

Friends of Growing Up Green

The School is an affiliate of Friends of Growing Up Green (“Friends of GUG”), a New York State not-for-profit corporation, through common management. Friends of GUG supports the School through technical and financial assistance. There were no material transactions between Friends of GUG and the School for the years ended June 30, 2018 and 2017.

Growing Up Green Charter School II

The School is an affiliate of Growing Up Green Charter School II (“GUG II”), a New York State not-for-profit education corporation who both share common management and board members. The School was not required to consolidate financial statements with GUG II as the School does not have an economic interest in the net assets of GUG II. During the years ended June 30, 2018 and 2017, the School charged \$247,872 and \$81,953 of operating expenses to GUG II.

In addition, the School entered into four interest free loan agreements between February 2016 and January 2017, totaling \$346,000 with GUG II. These loans were used for the school’s startup costs and were due by June 30, 2018. During the year ended June 30, 2018, these loans were extended through June 30, 2019. The outstanding balance of these loans due from GUG II at June 30, 2018 and 2017 was \$259,500 and \$346,000.

On March 21, 2017, the School co-signed a \$750,000 commercial line of credit with a financial institution along with GUG II. The School assigned and granted the lender a security interest in one of its deposit accounts with the financial institution. The line of credit was paid in full by GUG II as of June 30, 2018 but remains open. At June 30, 2018 and 2017, the pledged amount was \$755,215 and \$752,378.

The balance due from GUG II at June 30, 2018 and 2017 was \$530,785 and \$369,423.

9. Commitments

Facility Leases

The School is obligated under a non-cancelable operating lease for office and classroom space at 39-27 28th Street, Long Island City, New York, expiring on August 31, 2019, with a renewal option for an additional ten years. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes and other operating expenses.

On May 15, 2014, the School entered into an agreement to lease additional property at 36-49 11th Street, Long Island City, New York for a period of 10 years. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes and other operating expenses. This location became the home of Growing Up Green Middle School starting with the 2014-2015 academic year.

Growing Up Green Charter School

Notes to Financial Statements
June 30, 2018 and 2017

9. Commitments *(continued)*

Facility Leases (continued)

The future minimum lease payments for both facility leases are as follows for the years ending June 30:

2019	\$ 1,183,936
2020	546,608
2021	430,239
2022	445,298
2023	454,204
Thereafter	463,288
	<u>\$ 3,523,573</u>

The School recognizes rent expense on a straight-line basis over the term of the lease. Rent expense in excess of payments is recorded as deferred rent in the accompanying statements of financial position. Rent expense for the years ended June 30, 2018 and 2017 amounted to \$1,144,629 and \$1,146,231.

Equipment Leases

The School leases various copiers under non-cancelable operating leases expiring at various dates through June 2020. The future minimum lease payments under the copier leases are as follows for the years ending June 30:

2019	\$ 38,809
2020	21,000
	<u>\$ 59,809</u>

Equipment leasing expense for the years ended June 30, 2018 and 2017 amounted to \$44,238 and \$35,374.

10. Contingency

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

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*

Independent Auditors' Report

**Board of Trustees
Growing Up Green 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 Growing Up Green Charter School (the "School"), 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 5, 2018.

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

PKF O'Connor Davies, LLP

Harrison, New York
October 5, 2018