

HELLENIC CLASSICAL CHARTER SCHOOL

**INDEPENDENT AUDITOR'S REPORTS
AND FINANCIAL STATEMENTS**

JUNE 30, 2018 AND 2017

HELLENIC CLASSICAL CHARTER SCHOOL

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Independent Auditor's Report on Financial Statements and Supplementary Information

**Board of Trustees
Hellenic Classical Charter School
Brooklyn, New York**

Report on the Financial Statements

We have audited the accompanying financial statements of Hellenic Classical Charter School (School), which comprise the balance sheet as of June 30, 2018, and the related statements of activities 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.

Auditor's 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 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 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 Hellenic Classical Charter School 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information for the year ended June 30, 2018 included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 2018 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information for the year ended June 30, 2018 is fairly stated, in all material respects, in relation to the financial statements as a whole. The supplemental information for the year ended June 30, 2017, was audited by other auditors whose report dated October 9, 2017, expressed an unmodified opinion on such information in relation to the basic financial statements for the year ended June 30, 2017 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2018, on our consideration of Hellenic Classical Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Hellenic Classical Charter 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 Hellenic Classical Charter School's internal control over financial reporting and compliance.

Prior Year Audited by Other Auditors

The 2017 financial statements were audited by other auditors, and their report thereon, dated October 9, 2017, expressed an unmodified opinion.

BKD, LLP

New York, New York
November 1, 2018

HELLENIC CLASSICAL CHARTER SCHOOL

BALANCE SHEETS

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 197,791	\$ 109,367
Accounts receivable (net of allowance for doubtful accounts of \$0 for 2018 and \$10,846 for 2017)	3,160	15,995
Contribution receivable	30,000	30,000
Government grants and contracts receivable	338,990	359,106
Prepaid expenses and other assets	23,285	14,135
Cash - sinking fund	60,329	746,815
	<hr/>	<hr/>
Total current assets	653,555	1,275,418
Cash - reserve for dissolution	71,040	71,040
Contribution receivable	-	29,126
Fixed assets - net	11,609,603	11,819,699
	<hr/>	<hr/>
Total assets	\$ <u>12,334,198</u>	\$ <u>13,195,283</u>

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HELLENIC CLASSICAL CHARTER SCHOOL

BALANCE SHEETS

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 488,225	\$ 477,300
Accounts payable - construction	461,266	600,000
Accrued salaries and related liabilities	1,034,364	860,311
Loan payable	215,810	206,202
Line of credit	200,000	200,000
	<u>2,399,665</u>	<u>2,343,813</u>
Total current liabilities		
	2,399,665	2,343,813
Deferred rent	653,905	505,340
Loan payable	7,264,338	7,417,680
	<u>10,317,908</u>	<u>10,266,833</u>
Total liabilities		
Net assets		
Unrestricted	1,872,044	2,848,053
Temporarily restricted	144,246	80,397
	<u>2,016,290</u>	<u>2,928,450</u>
Total net assets		
	2,016,290	2,928,450
Total liabilities and net assets	\$ <u><u>12,334,198</u></u>	\$ <u><u>13,195,283</u></u>

The accompanying notes are an integral part of these statements.

HELLENIC CLASSICAL CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating revenues						
State and local per pupil operating revenues - resident student enrollment	\$ 7,092,115	\$ -	\$ 7,092,115	\$ 6,985,039	\$ -	\$ 6,985,039
State and local per-pupil operating revenues - students with disabilities	259,750	-	259,750	208,860	-	208,860
Government grants and contracts	703,464	-	703,464	647,987	-	647,987
Contributions	42,253	224,996	267,249	74,691	53,854	128,545
In-kind contributions	-	-	-	66,550	-	66,550
Other revenues	34,317	-	34,317	8,821	-	8,821
Net assets released from restrictions	161,147	(161,147)	-	56,989	(56,989)	-
Total operating revenues	<u>8,293,046</u>	<u>63,849</u>	<u>8,356,895</u>	<u>8,048,937</u>	<u>(3,135)</u>	<u>8,045,802</u>
Operating expenses						
Program services						
Education	6,785,556	-	6,785,556	6,268,855	-	6,268,855
Special education	751,422	-	751,422	539,147	-	539,147
Total program services	<u>7,536,978</u>	<u>-</u>	<u>7,536,978</u>	<u>6,808,002</u>	<u>-</u>	<u>6,808,002</u>
Supporting services						
Management and general	1,708,278	-	1,708,278	1,638,842	-	1,638,842
Fundraising	23,799	-	23,799	22,216	-	22,216
Total supporting services	<u>1,732,077</u>	<u>-</u>	<u>1,732,077</u>	<u>1,661,058</u>	<u>-</u>	<u>1,661,058</u>
Total operating expenses	<u>9,269,055</u>	<u>-</u>	<u>9,269,055</u>	<u>8,469,060</u>	<u>-</u>	<u>8,469,060</u>
Change in net assets	(976,009)	63,849	(912,160)	(420,123)	(3,135)	(423,258)
Net assets - beginning of year	2,848,053	80,397	2,928,450	3,268,176	83,532	3,351,708
Net assets - end of year	<u>\$ 1,872,044</u>	<u>\$ 144,246</u>	<u>\$ 2,016,290</u>	<u>\$ 2,848,053</u>	<u>\$ 80,397</u>	<u>\$ 2,928,450</u>

The accompanying notes are an integral part of these statements.

HELLENIC CLASSICAL CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Operating activities		
Change in net assets	\$ (912,160)	\$ (423,258)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	705,454	697,574
Amortization of debt issuance cost included in interest	62,468	62,468
Decrease (increase) in assets		
Accounts receivable	12,835	779
Government grants and contracts receivable	20,116	25,537
Contribution receivable	29,126	28,278
Prepaid expenses and other assets	(9,150)	(4,969)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	10,925	76,371
Accrued salaries and related liabilities	174,053	(158,086)
Deferred rent	148,565	113,083
Net cash provided by operating activities	242,232	417,777
Investing activities		
Decrease (increase) in reserve for dissolution	-	94
Fixed asset acquisitions	(634,092)	(188,754)
Decrease (increase) in sinking fund	686,486	(80,548)
Net cash provided by (used in) investing activities	52,394	(269,208)
Financing activities		
Draw down on loans	200,000	50,000
Principal payments on loans	(406,202)	(197,022)
Net cash used in financing activities	(206,202)	(147,022)
Net change in cash and cash equivalents	88,424	1,547
Cash and cash equivalents - beginning of year	109,367	107,820
Cash and cash equivalents - end of year	\$ 197,791	\$ 109,367
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 366,067	\$ 377,686

The accompanying notes are an integral part of these statements.

HELLENIC CLASSICAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 1 - NATURE OF ORGANIZATION

Hellenic Classical Charter School (“HCCS”) is an education corporation that operates as a charter school in the borough of Brooklyn, New York City. On February 7, 2005, the Board of Regents and the Board of Trustees of the University of the State of New York for and on behalf of the State Education Department granted HCCS a charter valid for a term of five years and renewable upon expiration. On May 30, 2014, HCCS was given an extension to its provisional charter that is valid for an additional five years. HCCS was organized to prepare all students intellectually, socially and emotionally, to gain entry and succeed in the best high schools in New York City. In fiscal years 2018 and 2017, HCCS operated classes for approximately 500 students in Pre-K through 8th grade.

HCCS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, HCCS is subject to federal income tax on unrelated business taxable income.

HCCS is funded primarily by state and local per-pupil operating revenues paid through the New York State Department of Education.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

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 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, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash equivalents - Cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

Accounts receivable and allowance for doubtful accounts - HCCS records receivables based on established rates or contracts for services provided. Bad debt expense is charged if the receivable is determined to be uncollectible based on periodic review by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year-end. HCCS does not charge interest on outstanding receivables.

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Interest is not charged on outstanding receivables.

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HELLENIC CLASSICAL CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2018 AND 2017****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash - reserve for dissolution - The cash reserve for dissolution represents funds held aside for contingency purposes as requested by HCCS's Charter.

Cash - sinking fund - The sinking fund was established as a requirement of the mortgage to pay construction-related cost. The fund will be closed out upon HCCS receiving a certificate of occupancy in 2018.

Government grants and contracts receivable - Government grants and contracts receivable are recorded for expense-based grants when allowable expenses are incurred and for performance-based grants when milestones are achieved.

Debt issuance costs - Debt issuance costs are reflected as a reduction of the carrying amount of the related debt, and are amortized on the straight-line basis over the life of the associated debt. Amortization of debt issuance costs is included in interest expense.

Fixed assets - Fixed assets are stated at cost less accumulated depreciation. Items with a cost of \$1,000 or greater and a useful life in excess of one year are capitalized. Fixed assets are depreciated on the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the term of the lease or the life of the asset, whichever is shorter.

Long-lived asset impairment - HCCS evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2018 and 2017.

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

The New York City Department of Education provides free lunches directly to a majority of the students. Such costs are not included in the financial statements.

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HELLENIC CLASSICAL CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2018 AND 2017****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

State and local per pupil operating revenues - Revenues from the state and local governments resulting from HCCS's charter status and based on the number of students enrolled are recorded when services are performed in accordance with the charter agreement. These funds are recorded by HCCS when services are rendered.

Government grants and contracts - Revenues from government grants and contracts to which HCCS is entitled are recognized mostly on student enrollment. Some grants are provided for specific educational endeavors, which are not based on student enrollment, and are recorded when related expenditures are incurred by HCCS.

Rent expense - Rent is recorded on the straight-line basis over the term of the lease.

Functional allocation of expenses - The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the actual expenditures and cost allocation estimated by HCCS's personnel.

Unrestricted net assets - Unrestricted net assets include funds having no restrictions as to use or purpose imposed by the donors.

Temporarily restricted net assets - Temporarily restricted net assets are those whose use by HCCS has been limited by donors to a specific time period or purpose.

Subsequent events - Subsequent events have been evaluated through November 1, 2018, which is the date the financial statements were available to be issued.

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HELLENIC CLASSICAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 3 - CONTRIBUTION RECEIVABLE

In 2015, HCCS received a 5-year contribution for \$150,000. As of June 30, 2018 and 2017, the balance due was \$30,000 and \$60,000, respectively. The long-term portion of the receivable was discounted to present value at a rate of 3% in 2018 and 2017.

	<u>2018</u>	<u>2017</u>
2018	\$ -	\$ 30,000
2019	<u>30,000</u>	<u>30,000</u>
	30,000	60,000
Discount	<u>-</u>	<u>(874)</u>
Total	<u>\$ 30,000</u>	<u>\$ 59,126</u>

NOTE 4 - FIXED ASSETS

	<u>2018</u>	<u>2017</u>	<u>Estimated Useful Lives</u>
Furniture and fixtures	\$ 678,673	\$ 577,346	3-5 years
Computer hardware and other equipment	85,506	85,506	3-5 years
Leasehold improvements	<u>15,462,513</u>	<u>15,068,482</u>	4-27 years
	16,226,692	15,731,334	
Accumulated depreciation and amortization	<u>(4,617,089)</u>	<u>(3,911,635)</u>	
Net fixed assets	<u>\$ 11,609,603</u>	<u>\$ 11,819,699</u>	

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HELLENIC CLASSICAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 5 - LEASE COMMITMENT

In 2013, HCCS entered into a thirty-year noncancelable operating lease for the facility space expiring on June 30, 2042. Annual lease payments commence at \$500,000 per annum for the first two years and increase incrementally through the life of the lease. HCCS obtained a credit of \$3,900,060 as a result of improvements to the building completed in September 2014. The credit will be applied against rent payment due over the first 15 years of the lease commencing after construction is completed and amortized over 30 years. In 2017, HCCS received only \$120,000 of the credit toward their rent since certain parts of the construction project were still ongoing. In 2018, HCCS received \$131,677 of the credit. HCCS has credits due of \$3,168,393 as of June 30, 2018. In addition, in 2017 HCCS is obligated to pay the landlord \$600,000 plus interest at 1.75% per annum, to compensate for the inconvenience resulting during construction. Balance due as of June 30, 2018 was \$135,597. Interest expense was \$8,494 in 2018 and \$10,930 in 2017. In addition, HCCS entered into two new leases for copier machines, the leases started in November 2015 and with a term of 60 months will expire in October 2020.

Future minimum payments are as follows:

2019	\$ 551,250
2020	551,250
2021	578,813
2022	578,813
2023	578,813
Thereafter	<u>13,177,315</u>
Total	<u>\$ 16,016,254</u>

The rent expense for the years ended June 30, 2018 and 2017 was \$568,148 and \$518,083, respectively. Deferred rent was \$653,905 and \$505,340 as of June 30, 2018 and 2017, respectively. The copier lease expense for the years ended June 30, 2018 and 2017 was \$22,860 and \$20,451, respectively.

NOTE 6 - PENSIONS

HCCS has a defined contribution retirement plan which covers substantially all full-time employees. HCCS contributed an amount equal up to 3% in 2018 and 2017 of the employee's compensation up to the legal maximum amount allowed. Pension expense under this plan for the years ended June 30, 2018 and 2017 was \$80,664 and \$97,285, respectively.

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HELLENIC CLASSICAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 7 - IN-KIND CONTRIBUTION

HCCS recorded an in-kind contribution from the Greek Consulate as follows:

	2018	2017
Greek teacher's salary	\$ -	\$ 65,340
Greek textbooks	-	1,210
	\$ -	\$ 66,550

The amounts are shown as revenue and expense on the statement of activities for the year ended June 30, 2017.

NOTE 8 - CONTINGENCIES

Certain grants and contracts may be subject to audit by the funding source. 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.

NOTE 9 - LOAN PAYABLE

In 2012, HCCS entered into a leasehold mortgage agreement with Hudson Valley National Bank in the amount of up to eight million dollars (\$8,000,000) in order to finance leasehold improvements to the school and refinance all or a portion of a construction loan previously obtained. The loan is secured by the building and its contents. The interest rate on the loan is The Wall Street Journal's prime rate plus one and a half percent (1.5%), but in no event less than six percent (6.0%). The interest rate as of the modification date (September 2014) was 6.0%. Interest charges of \$32,500 in 2015 are included in the drawdown balances and have been capitalized in construction in progress.

In September 2014, HCCS converted the construction loan into a mortgage and increased the balance to \$8,280,000. The loan is secured by the building and its contents. Monthly payments of principal and interest commenced in October 2014 based on an amortization period of 25 years. Interest on the loan is at 4.5% per annum. The loan matures on September 5, 2019. A balloon payment of \$7,337,217 is due at maturity. The balance due on the loan as of June 30, 2018 and 2017 was \$7,553,027 and \$7,759,228, respectively. Interest expense on the loan was \$349,758 in 2018 and \$358,937 in 2017.

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HELLENIC CLASSICAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 9 - LOAN PAYABLE (continued)

HCCS' loan has a debt covenant requirement to maintain a minimum of two million dollars of unrestricted net assets. As of June 30, 2018, unrestricted net assets were \$1,872,044. HCCS has obtained a waiver from the bank for this requirement.

As of June 30, 2018 and 2017, the balance of the loan, net of unamortized debt issuance costs, was \$7,480,148 and \$7,417,680, respectively.

Interest expense (including amortization of debt issuance costs of \$62,468) was \$412,226.

Principal payments are due as follows:

2019	\$ 215,810
2020	<u>7,337,217</u>
	7,553,027
Less: unamortized debt issuance cost	<u>(72,879)</u>
	<u>\$ 7,480,148</u>

NOTE 10 - LINE OF CREDIT

HCCS has a line of credit of \$200,000. Interest is payable monthly at an interest rate of prime plus .75%. The interest rate as of June 30, 2018 and 2017 was 5.50% and 4.75%, respectively. The line of credit is collateralized with HCCS's corporate assets. The line of credit matures on January 5, 2019 and renews automatically. The balance outstanding at June 30, 2018 and 2017 is \$200,000. Interest expense on the line of credit was \$7,815 in 2018 and \$7,819 in 2017. The line of credit is cross-collateralized and cross-default with the loan payable (Note 9). In addition, a material adverse change in HCCS' financial condition could result in a default on the loan.

On July 25, 2014, HCCS entered into a revolving line of credit with the construction company in the amount of \$500,000 with an interest rate of 5% per annum. As of June 30, 2018 and 2017 there were no balances outstanding.

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HELLENIC CLASSICAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE 11 - FINANCIAL CONDITION AND MANAGEMENT'S PLAN

As reported on the balance sheet, HCCS' current liabilities exceed current assets as of June 30, 2018. Management acknowledges that the cumulative effect of its construction expenditures and leasehold improvements in prior reporting periods has impacted HCCS' liquidity. However, the construction expenditures have ended, and beginning with this reporting period, management has implemented a plan to improve its liquidity through fundraising, reduction of expenditures and use of a credit line. HCCS received a Certificate of Occupancy for their premises this year, which provided them a monthly rent concession effective June 1, 2018, as well as for the entire upcoming year. In addition, as described in Note 9, the School's loan matures on September 5, 2019. Management anticipates that they will be able to refinance or extend the loan with their existing lender prior to the loan's maturity. There can be no assurance as to the availability or terms upon which such extension or financing might be available. Management believes that these measures will enable HCCS to satisfy its financial obligations going forward.

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Technology	\$ 21,201	\$ 26,543
Classroom Libraries/STEAM	49,971	-
National History Day	13,827	53,854
HVAC/Arts and Writing Project	<u>59,247</u>	<u>-</u>
	<u>\$ 144,246</u>	<u>\$ 80,397</u>

Temporarily restricted net assets were released for the following purposes:

	<u>2018</u>	<u>2017</u>
Technology	\$ 5,342	\$ 11,989
Music	-	45,000
HVAC/Arts and Writing Project	105,029	-
National History Day	<u>50,776</u>	<u>-</u>
	<u>\$ 161,147</u>	<u>\$ 56,989</u>

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HELLENIC CLASSICAL CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2018 AND 2017****NOTE 13 - CONCENTRATIONS**

Financial instruments which potentially subject HCCS to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits.

HCCS obtained approximately 88% and 89% of its operating revenues in 2018 and 2017, respectively, through its charter from New York State.

HELLENIC CLASSICAL CHARTER SCHOOL

SCHEDULES OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2018 AND 2017

	2018							2017							
	No. of Positions	Program Services			Supporting Services			Total	Program Services			Supporting Services			Total
		Education	Special Education	Total	Management and General	Fund Raising	Total		Education	Special Education	Total	Management and General	Fund Raising	Total	
Personnel service costs															
Instructional	62	\$ 3,717,817	\$ 424,765	\$ 4,142,582	\$ 29,188	\$ 5,998	\$ 35,186	\$ 4,177,768	\$ 3,296,616	\$ 298,192	\$ 3,594,808	\$ 28,709	\$ 5,787	\$ 34,496	\$ 3,629,304
Non-instructional	5	118,175		118,175	117,049		117,049	235,224	112,608		112,608	104,175		104,175	216,783
Administrative	8				607,015	7,364	614,379	614,379				520,722	6,468	527,190	527,190
In-kind salaries - instructional									65,340		65,340				65,340
Total personnel service costs		3,835,992	424,765	4,260,757	753,252	13,362	766,614	5,027,371	3,474,564	298,192	3,772,756	653,606	12,255	665,861	4,438,617
Payroll taxes and related expenses		1,064,091	117,845	1,181,936	208,913	3,765	212,678	1,394,614	1,054,660	90,538	1,145,198	198,321	3,772	202,093	1,347,291
Occupancy		549,995	60,910	610,905	107,981	1,946	109,927	720,832	526,929	45,235	572,164	99,085	1,885	100,970	673,134
Contracted services		292,112	32,351	324,463	57,350	1,034	58,384	382,847	238,846	21,558	260,404	47,222	898	48,120	308,524
Supplies and equipment		190,209	21,065	211,274	37,344	673	38,017	249,291	155,272	13,329	168,601	29,198	555	29,753	198,354
Repairs and maintenance		56,440	6,251	62,691	11,081	200	11,281	73,972	57,018	4,895	61,913	10,722	204	10,926	72,839
Printing and postage		18,824	2,085	20,909	3,696	67	3,763	24,672	14,657	1,258	15,915	2,756	52	2,808	18,723
Professional fees		55,642	6,162	61,804	10,924	197	11,121	72,925	59,082	5,072	64,154	11,110	211	11,321	75,475
Dues and subscription		3,725	413	4,138	731	13	744	4,882	2,521	216	2,737	474	9	483	3,220
Insurance		53,824	5,961	59,785	10,567	190	10,757	70,542	47,203	4,052	51,255	8,876	169	9,045	60,300
Telephone		5,933	657	6,590	1,165	21	1,186	7,776	7,703	661	8,364	1,448	28	1,476	9,840
Travel		38,374	4,250	42,624	7,534	136	7,670	50,294	24,584	2,110	26,694	4,623	88	4,711	31,405
Food services									21,591	1,878	23,469				23,469
Depreciation		585,924	64,889	650,813	52,568	2,073	54,641	705,454	546,061	46,877	592,938	102,683	1,953	104,636	697,574
Interest and amortization expense					420,040		420,040	420,040				440,154		440,154	440,154
Bad debt					9,870		9,870	9,870				21,387		21,387	21,387
Miscellaneous expenses		34,471	3,818	38,289	15,262	122	15,384	53,673	38,164	3,276	41,440	7,177	137	7,314	48,754
Total expenses		\$ 6,785,556	\$ 751,422	\$ 7,536,978	\$ 1,708,278	\$ 23,799	\$ 1,732,077	\$ 9,269,055	\$ 6,268,855	\$ 539,147	\$ 6,808,002	\$ 1,638,842	\$ 22,216	\$ 1,661,058	\$ 8,469,060

**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 Auditor's Report

**Board of Trustees
Hellenic Classical Charter School
Brooklyn, 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 Hellenic Classical Charter School, which comprise the balance sheet as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2018. Our report contained an other matter paragraph stating the prior year financial statements were audited by other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hellenic Classical Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hellenic Classical Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Hellenic Classical Charter 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 Hellenic Classical Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

New York, New York
November 1, 2018