

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2018 AND 2017

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Hyde Leadership Charter School - Brooklyn

We have audited the accompanying financial statements of Hyde Leadership Charter School - Brooklyn (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hyde Leadership Charter School - Brooklyn 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2018, on our consideration of Hyde Leadership Charter School - Brooklyn'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 Hyde Leadership Charter School - Brooklyn's internal control over financial reporting and compliance.

Lotz + Carr, LLP

New York, New York
October 26, 2018

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash (Note 7)	\$1,587,276	\$1,314,432
Restricted cash - New York City Department of Education reserve (Note 6b)	75,139	75,109
Unconditional promises to give - unrestricted (Notes 1b and 3)	158,987	267,346
Accounts receivable	3,827	-
Prepaid expenses and other current assets	<u>22,112</u>	<u>18,182</u>
	1,847,341	1,675,069
Property and equipment, at cost, net of accumulated depreciation (Notes 1c and 4)	<u>70,462</u>	<u>135,821</u>
Total Assets	<u><u>\$1,917,803</u></u>	<u><u>\$1,810,890</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 116,239	\$ 236,895
Salaries, payroll taxes and benefits payable	<u>334,642</u>	<u>318,183</u>
Total Liabilities	<u>450,881</u>	<u>555,078</u>
Commitments and Contingency (Note 6)		
Net Assets		
Board designated (Note 2)	15,000	15,000
New York City Department of Education reserve (Note 6b)	75,139	75,109
Other	<u>1,376,783</u>	<u>1,165,703</u>
Total Net Assets	<u>1,466,922</u>	<u>1,255,812</u>
Total Liabilities and Net Assets	<u><u>\$1,917,803</u></u>	<u><u>\$1,810,890</u></u>

See notes to financial statements.

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Changes in Unrestricted Net Assets		
Revenues and Other Support		
Public School District:		
Resident student enrollment - New York City		
Department of Education (Note 5)	\$5,784,748	\$6,134,576
Federal grants	653,541	579,545
Contributions	6,882	3,944
Interest income	820	760
Other income	<u>6,199</u>	<u>5,831</u>
Total Revenues and Other Support	<u>6,452,190</u>	<u>6,724,656</u>
Expenses		
Program Services	<u>5,021,731</u>	<u>5,005,102</u>
Supporting Services		
Management and general	1,079,346	1,118,918
Fundraising	<u>140,003</u>	<u>140,034</u>
Total Supporting Services	<u>1,219,349</u>	<u>1,258,952</u>
Total Expenses	<u>6,241,080</u>	<u>6,264,054</u>
Increase in net assets	211,110	460,602
Net assets, beginning of year	<u>1,255,812</u>	<u>795,210</u>
Net Assets, End of Year	<u><u>\$1,466,922</u></u>	<u><u>\$1,255,812</u></u>

See notes to financial statements.

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 211,110	\$ 460,602
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	65,359	89,636
(Increase) decrease in:		
Unconditional promises to give	108,359	(149,802)
Accounts receivable	(3,827)	23,140
Prepaid expenses and other current assets	(3,930)	12,304
Increase (decrease):		
Accounts payable and accrued expenses	(120,656)	70,559
Salaries, payroll taxes and benefits payable	16,459	(79,567)
Net Cash Provided By Operating Activities	<u>272,874</u>	<u>426,872</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	-	(8,726)
Cash Flows From Financing Activities		
Restricted cash - NYC Department of Education reserve	<u>(30)</u>	<u>(29)</u>
Net increase in cash	272,844	418,117
Cash, beginning of year	<u>1,314,432</u>	<u>896,315</u>
Cash, End of Year	<u><u>\$1,587,276</u></u>	<u><u>\$1,314,432</u></u>

See notes to financial statements.

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2018 AND 2017****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Hyde Leadership Charter School - Brooklyn's ("HLCS") mission is to develop the deeper character and unique potential of each student. Using the Hyde Process for family-based character education, HLCS unites parents, teachers and students in helping each student achieve his or her best academically and in sports, the arts, and the community. Rigorous learning attitudes, leadership skills and a social conscience lay the foundation for each student's success in college and fulfillment in life. HLCS served grades K-5 in 2018 and 2017. The Hyde Middle School opened in September 2018.

b - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to HLCS, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

c - Property and Equipment

Property and equipment are stated at cost and are being depreciated using the straight-line method over the estimated useful lives of the assets.

d - Advertising and Promotion Costs

Advertising and promotion costs are charged to operations when the advertising first takes place. Advertising and promotion expense for 2018 and 2017 was \$27,630 and \$25,875, respectively.

e - Financial Statement Presentation

HLCS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

f - 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

g - Tax Status

HLCS is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2018 AND 2017****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****h - Subsequent Events**

HLCS has evaluated subsequent events through October 26, 2018, the date that the financial statements are considered available to be issued.

i - New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *"Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities"*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two net asset classes now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization is currently evaluating the impact of ASU 2016-14 on its financial statements.

Note 2 - Board Designated Net Assets

HLCS established a board designated fund to promote its long-term financial stability.

Note 3 - Unconditional Promises to Give

Unconditional promises to give are due within one year. Uncollectible promises are expected to be insignificant.

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 4 - Property and Equipment

A summary of property and equipment at June 30 is as follows:

	<u>Life</u>	<u>2018</u>	<u>2017</u>
Building equipment	5 years	\$ 79,795	\$ 79,795
Computer equipment	2-3 years	487,966	487,966
Furniture and fixtures	5 years	<u>69,255</u>	<u>69,255</u>
		637,016	637,016
Less: Accumulated depreciation		<u>(566,554)</u>	<u>(501,195)</u>
		<u>\$ 70,462</u>	<u>\$135,821</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$65,359 and \$89,636, respectively.

Note 5 - Resident Student Enrollment

HLCS' per pupil allocation is determined by the New York State Education Department using New York State's charter school funding formula.

Note 6 - Commitments and Contingency

- a - As part of a building utilization plan with the New York City Department of Education, HLCS will be permanently sited in PS 328. The Department provides utilities and other maintenance and security services for the building during regular school hours.
- b - HLCS is obligated by the New York City Department of Education to maintain a \$75,000 cash reserve.
- c - HLCS has retained Hyde Foundation to provide educational materials and various consulting and management services including training and accreditation review. A fee equal to approximately 2% in 2018 and 2017 of HLCS's annual aggregate pupil funding allocated by the New York City Department of Education is due and payable in three annual installments. The agreement is currently being renegotiated. Total fees paid to Hyde Foundation amounted to approximately \$107,000 and \$111,000 for the years ended June 30, 2018 and 2017, respectively.

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2018 AND 2017****Note 6 - Commitments and Contingency (continued)**

d - Government supported projects are subject to audit by the applicable granting agency.

Note 7 - Concentration of Credit Risk

HLCS' cash is maintained in one financial institution.

Note 8 - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of
Hyde Leadership Charter School - Brooklyn

We have audited the financial statements of Hyde Leadership Charter School - Brooklyn as of and for the years ended June 30, 2018 and 2017, and our report thereon dated October 26, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended June 30, 2018 with comparative totals for 2017 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 information has been subjected to the auditing procedures applied in the audits 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 is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz + Carr, LLP

New York, New York
October 26, 2018

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Number of Positions	Program Services			Supporting Services			2018	2017
		Regular Education	Special Education	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Personnel Services Costs									
Administrative staff personnel	11	\$ 265,585	\$ 89,133	\$ 354,718	\$ 683,152	\$ 59,516	\$ 742,668	\$1,097,386	\$1,045,750
Instructional personnel	41	2,467,242	237,153	2,704,395	-	-	-	2,704,395	2,760,657
Non-instructional personnel	2	117,720	19,620	137,340	10,984	-	10,984	148,324	145,112
Total Personnel Services Costs		2,850,547	345,906	3,196,453	694,136	59,516	753,652	3,950,105	3,951,519
Employee benefits and payroll taxes		680,665	82,581	763,246	159,396	13,454	172,850	936,096	991,097
Pension		58,864	7,142	66,006	13,784	1,163	14,947	80,953	70,867
Management company fees		106,919	-	106,919	-	-	-	106,919	110,532
Legal fees		-	-	-	-	-	-	-	3,859
Accounting and audit fees		-	-	-	40,608	-	40,608	40,608	39,777
Other purchased, professional and consulting services		334,262	18,484	352,746	100,790	17,552	118,342	471,088	475,519
Repairs and maintenance		7,112	863	7,975	1,664	141	1,805	9,780	20,236
Insurance		23,772	2,884	26,656	5,567	470	6,037	32,693	30,749
Supplies		77,392	-	77,392	-	-	-	77,392	92,849
Equipment and furnishings		16,687	1,605	18,292	-	-	-	18,292	10,550
Staff development		24,186	-	24,186	22,373	44,494	66,867	91,053	68,224
Marketing and recruitment		24,674	-	24,674	2,956	-	2,956	27,630	25,875
Food service		17,923	2,174	20,097	4,198	354	4,552	24,649	19,307
Student services		174,888	-	174,888	-	-	-	174,888	94,271
Office expenses		75,971	9,217	85,188	17,790	1,502	19,292	104,480	134,263
Miscellaneous		21,155	2,567	23,722	4,955	418	5,373	29,095	34,924
Total expenses before depreciation		4,495,017	473,423	4,968,440	1,068,217	139,064	1,207,281	6,175,721	6,174,418
Depreciation		47,525	5,766	53,291	11,129	939	12,068	65,359	89,636
Total Expenses, 2018		<u>\$4,542,542</u>	<u>\$ 479,189</u>	<u>\$5,021,731</u>	<u>\$ 1,079,346</u>	<u>\$ 140,003</u>	<u>\$1,219,349</u>	<u>\$6,241,080</u>	
Total Expenses, 2017		<u>\$4,789,391</u>	<u>\$ 215,711</u>	<u>\$5,005,102</u>	<u>\$ 1,118,918</u>	<u>\$ 140,034</u>	<u>\$1,258,952</u>		<u>\$6,264,054</u>

See independent auditors' report on supplementary information.



**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 Directors of
Hyde Leadership Charter School - Brooklyn

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 Hyde Leadership Charter School - Brooklyn (a nonprofit organization), which comprise the statement of financial position 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 September 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hyde Leadership Charter School - Brooklyn'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 Hyde Leadership Charter School - Brooklyn's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hyde Leadership Charter School - Brooklyn'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.

New York, New York
October 26, 2018