

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

FINANCIAL STATEMENTS

JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2017)

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
New Visions Charter High School for Advanced Math and Science

Report on the Financial Statements

We have audited the accompanying financial statements of New Visions Charter High School for Advanced Math and Science (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.

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 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 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 School'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 School'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.

An Independent Member of Baker Tilly International

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Visions Charter High School for Advanced Math and Science 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.

Report on Summarized Comparative Information

We have previously audited New Visions Charter High School for Advanced Math and Science's 2017 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2017. In our opinion, the summarized comparative information presented herein as of and 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 15, 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 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.

MBAF CPAs, LLC

New York, NY
October 15, 2018

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2017)

ASSETS	2018	2017
Cash	\$ 3,308,924	\$ 2,799,043
Cash - restricted	75,577	75,384
Grants receivable	518,624	490,207
Prepaid expenses and other assets	13,326	585
Due from related entities	8,951	-
Property and equipment, net	30,835	44,497
	<u>\$ 3,956,237</u>	<u>\$ 3,409,716</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 82,952	\$ 151,489
Accrued salaries and other payroll related expenses	265,716	146,050
Due to NYC Department of Education	11,940	55,544
Due to related entities	194,251	137,355
	<u>554,859</u>	<u>490,438</u>
NET ASSETS		
Unrestricted	3,400,111	2,918,011
Temporarily restricted	1,267	1,267
	<u>3,401,378</u>	<u>2,919,278</u>
	<u>\$ 3,956,237</u>	<u>\$ 3,409,716</u>

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

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)

	Unrestricted	Temporarily Restricted	2018	2017
OPERATING REVENUE				
State and local per pupil operating revenue	\$ 7,580,531	\$ -	\$ 7,580,531	\$ 7,193,612
Government grants and contracts	625,584	-	625,584	608,201
	<u>8,206,115</u>	<u>-</u>	<u>8,206,115</u>	<u>7,801,813</u>
EXPENSES				
Program	6,841,001	-	6,841,001	6,439,577
Management and general	946,992	-	946,992	799,567
	<u>7,787,993</u>	<u>-</u>	<u>7,787,993</u>	<u>7,239,144</u>
SUPPORT AND OTHER INCOME				
Contributions and other income	58,985	-	58,985	56,566
Interest income	4,993	-	4,993	262
	<u>63,978</u>	<u>-</u>	<u>63,978</u>	<u>56,828</u>
CHANGE IN NET ASSETS	482,100	-	482,100	619,497
NET ASSETS – BEGINNING OF YEAR	<u>2,918,011</u>	<u>1,267</u>	<u>2,919,278</u>	<u>2,299,781</u>
NET ASSETS – END OF YEAR	<u>\$ 3,400,111</u>	<u>\$ 1,267</u>	<u>\$ 3,401,378</u>	<u>\$ 2,919,278</u>

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

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)

	No. of Positions	Program Services			Supporting Services	2018	2017
		Regular Education	Special Education	Total	Management and General		
Personnel service costs							
Administrative staff personnel	22	\$ 758,071	\$ 92,865	\$ 850,936	\$ 710,078	\$ 1,561,014	\$ 1,293,792
Instructional personnel	43	2,461,594	737,819	3,199,413	-	3,199,413	2,986,242
Total salaries and staff	65	3,219,665	830,684	4,050,349	710,078	4,760,427	4,280,034
Fringe benefits and payroll taxes		557,727	147,944	705,671	124,311	829,982	823,803
Retirement		167,776	43,287	211,063	37,002	248,065	201,288
Management company fee		570,410	67,952	638,362	18,127	656,489	624,099
Legal services		1,984	236	2,220	63	2,283	14,753
Accounting and audit services		-	-	-	23,378	23,378	20,017
Other purchases of professional and consulting services		303,731	39,583	343,314	1,787	345,101	287,389
Repairs and maintenance		5,568	648	6,216	212	6,428	13,103
Insurance		43,445	5,061	48,506	1,071	49,577	44,701
Utilities		32,418	5,070	37,488	4,804	42,292	48,771
Instructional supplies and materials		103,000	11,554	114,554	-	114,554	124,745
Equipment and furnishings		58,423	6,460	64,883	691	65,574	70,997
Staff development		6,730	798	7,528	530	8,058	30,753
Marketing and recruitment		235	45	280	69	349	924
Technology		180,408	20,548	200,956	5,705	206,661	219,487
Food service		76,474	8,681	85,155	3,372	88,527	91,779
Student services		146,198	15,768	161,966	-	161,966	152,025
Office expense		101,909	11,922	113,831	14,581	128,412	144,723
Depreciation		25,990	3,096	29,086	826	29,912	31,865
Other		17,624	1,949	19,573	385	19,958	13,888
		\$ 5,619,715	\$ 1,221,286	\$ 6,841,001	\$ 946,992	\$ 7,787,993	\$ 7,239,144

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

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operating revenue	\$ 8,168,747	\$ 7,815,573
Other cash received	63,978	56,828
Cash paid to employees and suppliers	<u>(7,706,401)</u>	<u>(7,104,662)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	526,324	767,739
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(16,250)</u>	<u>(26,354)</u>
NET INCREASE IN CASH	510,074	741,385
CASH AND CASH - RESTRICTED - BEGINNING OF YEAR	<u>2,874,427</u>	<u>2,133,042</u>
CASH AND CASH - RESTRICTED - END OF YEAR	<u>\$ 3,384,501</u>	<u>\$ 2,874,427</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 482,100	\$ 619,497
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	29,912	31,865
Changes in operating assets and liabilities:		
Grants receivable	(28,417)	9,560
Prepaid expenses and other assets	(12,741)	5,229
Due from related entities	(8,951)	4,200
Accounts payable and accrued expenses	(68,537)	4,585
Accrued salaries and other payroll related expenses	119,666	42,544
Due to NYC Department of Education	(43,604)	51,034
Due to related entities	<u>56,896</u>	<u>(775)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 526,324</u>	<u>\$ 767,739</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash and cash - restricted consist of:		
Cash	\$ 3,308,924	\$ 2,799,043
Cash - restricted	<u>75,577</u>	<u>75,384</u>
	<u>\$ 3,384,501</u>	<u>\$ 2,874,427</u>

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

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

1. NATURE OF THE ORGANIZATION

New Visions Charter High School for Advanced Math and Science (the "School") is a New York State not-for-profit educational corporation that was incorporated on December 14, 2010 to operate a Charter School pursuant to Article 56 of the Education Law of the State of New York. The School, led by the Board of Trustees, received a charter from The Charter Schools Institute - State University of New York ("SUNY-CSI") to operate a charter school in the State of New York pursuant to certain terms and conditions set forth in its approved Charter Application and Charter Agreement dated November 19, 2010. The School endeavors to extend equally to all students, regardless of their previous academic history, the highest quality education in an atmosphere of respect, responsibility and safety. The School's charter was renewed for an additional five years, expiring in July 2021.

The School is exempt from Federal income tax under section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii) of the IRC.

In fiscal year 2018, the School operated classes for students in ninth, tenth, eleventh, and twelfth grades.

The School shares space with a New York City public school and is not responsible for rent, utilities, custodial services, maintenance, and school safety. Square footage totaling 13,434 feet is allocated to the School.

The New York City Department of Education ("NYCDOE") provides free lunches and transportation directly to a majority of the School's students.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the School's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions and requires that the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in the statement of financial position. The amounts of change in each of the classes of net assets are also required to be displayed in the statement of activities.

These classes are defined as follows:

Permanently Restricted – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School.

Temporarily Restricted – Net assets resulting from contributions and other inflows of assets whose use by the School are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

The School has no permanently restricted net assets at June 30, 2018.

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash – Restricted

Included in cash - restricted is an escrow account of \$75,577 and \$75,384 at June 30, 2018 and 2017, respectively, which is held aside for contingency purposes as required by SUNY–CSI.

Grants Receivable

Grants receivable represent federal and state entitlements and grants. Grants receivable are expected to be collected within one year, are recorded at net realizable value, and amounted to \$518,624 and \$490,207 at June 30, 2018 and 2017, respectively. The School has determined that no allowance for uncollectible accounts was necessary at June 30, 2018 and 2017. Such estimate is based on management's assessments of the creditworthiness of its grantors, the aged basis of its receivables, as well as current economic conditions and historical information.

Revenue Recognition

Revenue is 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. Contributions of assets other than cash are recorded at their estimated fair value.

Revenue from 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 certain state and local funds are recorded when expenditures are incurred and billable to the government agencies.

The School receives a substantial portion of its support and revenue from the NYCDOE. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

Net Assets

Unrestricted net assets consist of revenues derived from government agencies, public contributions and other revenues for youth education. These net assets account for resources over which the Board of Trustees has discretionary control to use in carrying on the operations of the School.

Temporarily restricted net assets are restricted for an internship program.

Premises Provided by Government Authorities

The School does not record any in-kind contributions and related costs with respect to dedicated and shared space provided to it by the NYCDOE as the premises are temporary in nature, is excess shared space whereby a fair value cannot be determined, and is industry practice.

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Property and equipment acquired with certain government funding are recorded as expenses pursuant to the terms of the contract in which ownership of such property and equipment is retained by the funding source. Maintenance and repairs are expensed as they occur. The School has established a \$3,000 threshold above which assets are evaluated to be capitalized. The School expenses leasehold improvements because it has no lease and is uncertain that the space will be available beyond the close of the current fiscal year. Removable equipment that can be transferred to new space, if necessary, is capitalized. Depreciation is provided on the straight line method over the estimated useful lives as follows:

Furniture and office equipment	3 years
Computer equipment	3 years

Impairment

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized for the years ended June 30, 2018 and 2017.

Functional Allocation of Expenses

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

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of the proportionate share of instructional and management and general expenses. Management and general expense includes those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent Events

The School has evaluated events through October 15, 2018, which is the date the financial statements were available to be issued.

Comparative Financial Information

The June 30, 2018 financial statements include certain prior year summarized comparative information in total but not by net asset class. In addition, only certain of the notes to the financial statements for June 30, 2017 are presented. As a result, the June 30, 2017 comparative information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such June 30, 2017 information should be read in conjunction with the School's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The School follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, disclosure and transition.

The School files informational returns in the Federal jurisdiction. With few exceptions, the School is no longer subject to Federal income tax examinations for fiscal years before 2015.

The School believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the School would classify it as "Interest Expense." The School would classify penalties in connection with underpayments of income tax as "Other Expense."

Adoption of Accounting Pronouncement

In fiscal year 2018, the School adopted the accounting standards update which amends the cash flow statement presentation of restricted cash. The update requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-year and end-of-year total amounts shown on the statement of cash flows. The School adopted the update retrospectively for fiscal year 2017. The adoption of this update had no effect on the School's change in net assets or cash flows.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standards update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. The School is currently evaluating the effect the update will have on its financial statements.

In February 2016, the FASB issued an accounting standards update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Accounting by lessors remains largely unchanged from current U.S. GAAP. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The School is currently evaluating the effect the update will have on its financial statements.

In August 2016, the FASB issued an accounting standards update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The School is currently evaluating the effect the update will have on its financial statements.

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

3. RELATED PARTY TRANSACTIONS

New Visions for Public Schools (“New Visions”) is a not-for-profit organization dedicated to supporting public schools and helping to start and manage charter schools. Pursuant to the terms of the Educational Services Agreement by and between the School and New Visions dated July 22, 2011, New Visions provides educational management, operational, and fundraising services to the School. As compensation to New Visions for these services rendered, the School pays 8% of its gross revenues. Gross revenue is defined as all such funding provided by the State, Federal, and local governments, but excludes any private grant funding awarded to the School.

The balance due to New Visions from the School at June 30, 2018 and 2017 amounted to \$167,354 and \$137,355, respectively, which is comprised of management fees. Total management fees incurred by the School for the years ended June 30, 2018 and 2017 totaled \$656,489 and \$624,099, respectively.

For operational efficiency and purchasing power, the School also shares expenses with other charter schools related by common management. At June 30, 2018, the balance due from other charter schools was \$8,951, and the balance due to other charter schools was \$26,897. At June 30, 2017, there was no balance due to or from the other charter schools.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30,:

	<u>2018</u>	<u>2017</u>
Computer equipment	\$ 157,485	\$ 157,485
Furniture and office equipment	<u>57,709</u>	<u>41,459</u>
	215,194	198,944
Less: accumulated depreciation	<u>(184,359)</u>	<u>(154,447)</u>
	<u>\$ 30,835</u>	<u>\$ 44,497</u>

Depreciation expense amounted to \$29,912 and \$31,865 for the years ended June 30, 2018 and 2017, respectively.

5. GRANTS RECEIVABLE

Grants receivable consists of federal and state entitlements and grants. The School expects to collect these receivables within one year. Grants receivable consist of the following as of June 30,:

	<u>2018</u>	<u>2017</u>
E-Rate Reimbursement	\$ 26,568	\$ 58,289
Mount Vernon – Per Pupil	17,794	34,588
Yonkers – Per Pupil	30,046	53,997
Title I	217,010	129,441
Title II	46,449	4,953
NYS Additional Funding	177,249	206,939
Other	<u>3,508</u>	<u>2,000</u>
	<u>\$ 518,624</u>	<u>\$ 490,207</u>

NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND SCIENCE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

6. PENSION PLAN

The School has adopted the New Visions for Public Schools' pension plan (the "Plan") which is qualified under Internal Revenue Code 403(b) for the benefit of its eligible employees. The Plan is an elective contribution plan. Employees are eligible to enroll in the Plan once they have completed at least 1 full year of service and completion of 1,000 work hours, and are also eligible for discretionary employer contributions. The School's contribution becomes fully vested after the sixth year of the employee's service. Pension expense amounted to \$248,065 and \$201,288, net of forfeitures, for the years ended June 30, 2018 and 2017, respectively, and is included in retirement in the statement of functional expenses.

7. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks.

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. 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.

8. COMMITMENTS

The School leases office equipment and copiers under non-cancelable operating leases which will expire at various times during the next three years. The leasing expense for the years ended June 30, 2018 and 2017 was \$40,879 and \$54,393, respectively, which is included in the accompanying statement of functional expenses under office expense. Future minimum lease payments are as follows:

<u>June 30,</u>	
2019	\$ 12,077
2020	9,693
2021	<u>5,480</u>
	<u>\$ 27,250</u>

9. CONCENTRATIONS

Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limits of \$250,000.

The School received approximately 92% of its total revenue from per pupil funding from the NYCDOE during each of the years ended June 30, 2018 and 2017, respectively.

The School's grants receivable consist of three major grantors accounting for approximately 76% at June 30, 2018 and four major grantors accounting for approximately 92% at June 30, 2017.

The School's payables consist of two major vendors accounting for approximately 58% at June 30, 2018 and three major vendors accounting for approximately 52% at June 30, 2017.



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
New Visions Charter High School for Advanced Math and Science

We have audited, 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, the financial statements of New Visions Charter High School for Advanced Math and Science (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 15, 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 School'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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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*.

We noted certain matters that we reported to management of the School in a separate letter dated October 15, 2018.

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.

MBAF CPAs, LLC

New York, NY
October 15, 2018