

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES II

FINANCIAL STATEMENTS

JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2016)

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES II

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
New Visions Charter High School for the Humanities II

Report on the Financial Statements

We have audited the accompanying financial statements of New Visions Charter High School for the Humanities II (the "School"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

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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 the Humanities II as of June 30, 2017, 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 the Humanities II's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 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 16, 2017 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

MBAF CPAs, LLC

New York, NY
October 16, 2017

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES II

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2016)

ASSETS	2017	2016
Cash	\$ 3,371,880	\$ 1,892,668
Cash - restricted	75,282	75,170
Grants receivable	440,107	290,878
Prepaid expenses and other assets	-	14,384
Property and equipment, net	<u>35,085</u>	<u>80,424</u>
	<u>\$ 3,922,354</u>	<u>\$ 2,353,524</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 144,505	\$ 116,919
Accrued salaries and other payroll related expenses	172,018	153,101
Due to NYC Department of Education	64,194	27,728
Due to related entities	<u>159,111</u>	<u>129,375</u>
	539,828	427,123
NET ASSETS		
Unrestricted	<u>3,382,526</u>	<u>1,926,401</u>
	<u>\$ 3,922,354</u>	<u>\$ 2,353,524</u>

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

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES II

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	2017	2016
OPERATING REVENUE		
State and local per pupil operating revenue	\$ 8,093,362	\$ 7,414,010
Government grants and contracts	612,471	455,090
	<u>8,705,833</u>	<u>7,869,100</u>
EXPENSES		
Program services	6,432,577	6,231,208
Management and general	835,601	730,817
Fundraising	-	62,953
	<u>7,268,178</u>	<u>7,024,978</u>
SUPPORT AND OTHER INCOME		
Miscellaneous income	18,258	26,556
Interest income	212	157
	<u>18,470</u>	<u>26,713</u>
CHANGE IN NET ASSETS	1,456,125	870,835
NET ASSETS - BEGINNING OF YEAR	<u>1,926,401</u>	<u>1,055,566</u>
NET ASSETS - END OF YEAR	<u>\$ 3,382,526</u>	<u>\$ 1,926,401</u>

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

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES II

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	No. of Positions	Program Services			Supporting Services	2017	2016
		Regular Education	Special Education	Total	Management and General		
Personnel service costs							
Administrative staff personnel	19	\$ 619,827	\$ 178,221	\$ 798,048	\$ 608,073	\$ 1,406,121	\$ 1,326,074
Instructional personnel	44	1,833,489	1,125,906	2,959,395	-	2,959,395	2,868,615
Total salaries and staff	63	2,453,316	1,304,127	3,757,443	608,073	4,365,516	4,194,689
Fringe benefits and payroll taxes		427,771	235,634	663,405	105,329	768,734	740,773
Retirement		144,821	76,984	221,805	35,895	257,700	239,764
Management company fee		501,911	169,600	671,511	24,956	696,467	629,528
Legal services		17,967	5,605	23,572	630	24,202	10,248
Accounting and audit services		-	-	-	20,028	20,028	22,541
Other purchases of professional and consulting services		186,217	63,676	249,893	12,064	261,957	216,232
Repairs and maintenance		11,393	3,588	14,981	419	15,400	53,891
Insurance		34,674	11,046	45,720	1,345	47,065	43,454
Utilities		50,125	17,358	67,483	6,366	73,849	37,485
Instructional supplies and materials		55,802	17,050	72,852	-	72,852	81,510
Equipment and furnishings		7,942	4,432	12,374	1,386	13,760	87,963
Staff development		25,741	24,009	49,750	4,084	53,834	40,244
Marketing and recruitment		6,685	1,797	8,482	313	8,795	304
Technology		134,357	39,841	174,198	3,588	177,786	237,645
Food service		46,042	12,511	58,553	796	59,349	46,692
Student services		148,107	43,930	192,037	-	192,037	170,513
Office expense		68,044	23,086	91,130	8,407	99,537	92,199
Depreciation		38,359	12,962	51,321	1,907	53,228	65,390
Other		4,833	1,234	6,067	15	6,082	13,913
		\$ 4,364,107	\$ 2,068,470	\$ 6,432,577	\$ 835,601	\$ 7,268,178	\$ 7,024,978

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

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES II
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2017
 (WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operating revenue	\$ 8,593,070	\$ 7,760,404
Other cash received	18,470	26,713
Cash paid to employees and suppliers	<u>(7,124,439)</u>	<u>(6,879,223)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,487,101	907,894
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(7,889)</u>	<u>(31,223)</u>
NET INCREASE IN CASH	1,479,212	876,671
CASH - BEGINNING OF YEAR	<u>1,892,668</u>	<u>1,015,997</u>
CASH - END OF YEAR	<u>\$ 3,371,880</u>	<u>\$ 1,892,668</u>
 Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 1,456,125	\$ 870,835
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	53,228	65,390
Changes in operating assets and liabilities:		
Cash - restricted	(112)	(93)
Grants receivable	(149,229)	(116,567)
Prepaid expenses and other assets	14,384	1,668
Accounts payable and accrued expenses	27,586	(14,486)
Accrued salaries and other payroll related expenses	18,917	54,143
Due to NYC Department of Education	36,466	7,871
Due to related entities	<u>29,736</u>	<u>39,133</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,487,101</u>	<u>\$ 907,894</u>

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

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES II

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

1. NATURE OF THE ORGANIZATION

New Visions Charter High School for the Humanities II (the "School") is a New York State, not-for-profit educational corporation that was incorporated on March 6, 2012 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 Board of Regents of The University of the State of New York (the "Board of Regents") 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 September 13, 2011. 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 schools charter was renewed for an additional three years, expiring in June 2020.

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 2017, 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 13,890 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, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a 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 temporarily or permanently restricted net assets as of June 30, 2017.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES II

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash – Restricted

Included in cash - restricted is an escrow account of \$75,282 and \$75,170 at June 30, 2017 and 2016, respectively, which is held aside for contingency purposes as required by the Board of Regents.

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 \$440,107 and \$290,878 at June 30, 2017 and 2016, respectively. The School has determined that no allowance for uncollectible accounts was necessary at June 30, 2017 and 2016. 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. 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.

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.

Property and Equipment

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

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES II

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 and 2016.

Functional Allocation of Expenses

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 expenses and management and general. 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.

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.

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 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. Actual results could differ from those estimates.

Subsequent Events

The School has evaluated events through October 16, 2017, which is the date the financial statements were available to be issued.

Comparative Financial Information

The June 30, 2017 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, 2016 are presented. As a result, the June 30, 2016 comparative information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such June 30, 2016 information should be read in conjunction with the School's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Income Taxes

The School follows the accounting standards for uncertainty in income taxes. The standards 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 and New York State jurisdictions. With few exceptions, the School is no longer subject to Federal, state, or local income tax examinations for fiscal years before 2014.

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 accrued for each year. Management believes that its nonprofit status would be sustained upon examination.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES II

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

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."

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.

In November 2016, the FASB issued an accounting standards update which amends 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-period and end-of-period total amounts shown on the statement of cash flows. The update is effective retrospectively for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The School is currently evaluating the effect the update will have on its financial statements.

3. RELATED PARTY TRANSACTIONS

New Visions for Public Schools ("New Visions") is a not-for-profit organization dedicated to supporting public schools and helping start and manage charter schools. Pursuant to the terms of the Educational Services Agreement dated July 1, 2012, New Visions provides educational management and operational services, and fundraising 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 grants.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES II

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

3. RELATED PARTY TRANSACTIONS (CONTINUED)

The balance due to New Visions from the School at June 30, 2017 and 2016 amounted to \$159,111 and \$129,375, respectively, which is comprised of management fees. Total management fees incurred by the School amounted to \$696,467 and \$629,528 for the years ended June 30, 2017 and 2016, respectively.

For operational efficiency and purchasing power, the School also shares expenses with other charter schools related by common management. There was no balance due to or from the other charter schools at June 30, 2017 and 2016.

4. PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Furniture and office equipment	\$ 26,132	\$ 26,132
Computer equipment	<u>227,528</u>	<u>219,639</u>
	253,660	245,771
Less: accumulated depreciation	<u>(218,575)</u>	<u>(165,347)</u>
	<u>\$ 35,085</u>	<u>\$ 80,424</u>

Depreciation expense amounted to \$53,228 and \$65,390 for the years ended June 30, 2017 and 2016, 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>2017</u>	<u>2016</u>
Mount Vernon Per Pupil	\$ 34,588	\$ 34,288
E-Rate Reimbursement	64,346	39,605
Title I	122,687	113,689
Title II	4,979	5,121
NYS Additional Funding	197,145	95,085
Other	<u>16,362</u>	<u>3,090</u>
	<u>\$ 440,107</u>	<u>\$ 290,878</u>

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 \$257,700 and \$239,764, net of forfeitures, for the years ended June 30, 2017 and June 30, 2016, respectively, and is included in retirement in the statement of functional expenses.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES II

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

In July 2012, the School entered into a service contract with Lincoln Center Institute for the Arts in Education ("LCI") to receive high school literacy-related services based on a fee for service basis. The contract is effective through June 2017, with additional one-year extensions until the contract is terminated. A one year extension was elected through June 2018. Services include teaching artists, program manager, and yearly licensing for materials. The fee is based on rates negotiated between LCI and the United Federation of Teachers, Lincoln Center Teaching Artist Chapter, NYSUT, AFT, AFL-CIO, whose rates are expected to increase 3% per year. Future minimum payments under the contract through June 30, 2018 are \$100,069.

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, 2017 and 2016 was \$33,871 and \$21,229, 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>	
2018	\$ 7,894
2019	5,650
2020	<u>3,296</u>
	<u>\$ 16,840</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 ("FDIC") insured limit of \$250,000.

The School received approximately 93% of its total revenue from per pupil funding from the NYCDOE during each of the years ended June 30, 2017 and 2016.

The School's grants receivable consist of three major grantors accounting for approximately 87% at June 30, 2017 and four major grantors accounting for approximately 97% at June 30, 2016.

The School's payables consist of two major vendors accounting for approximately 31% at June 30, 2017 and three major vendors accounting for approximately 48% at June 30, 2016.



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 the Humanities II

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 the Humanities II (the "School"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in 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 16, 2017.

An Independent Member of Baker Tilly International

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 16, 2017