

ROSALYN YALOW CHARTER SCHOOL

REPORT TO THE BOARD

JUNE 30, 2017



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 10, 2017

Board of Trustees
Rosalyn Yalow Charter School

We have audited the financial statements of Rosalyn Yalow Charter School as of June 30, 2017 and for year then ended and have issued our report thereon dated October 10, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 25, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Rosalyn Yalow Charter School solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding other matters noted during our audit in a separate letter to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Rosalyn Yalow Charter School is included in Note A to the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the allocations of operating expenses to program expenses, management and general expenses, and fundraising expenses and the collectability of grants receivable. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Rosalyn Yalow Charter School's financial statements relate to revenue and support recognition, which is referred to in the notes of the financial statements.

Identified or Suspected Fraud

We have not identified or obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We are pleased to report we encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Rosalyn Yalow Charter School's financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Rosalyn Yalow Charter School, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Rosalyn Yalow Charter School's auditors.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

* * * * *

Should you desire further information concerning these matters, Shelby Stenson or Ryan Snyder will be happy to meet with you at your convenience.

This report is intended solely for the information and use of the Board of Trustees, Finance Committee and management of Rosalyn Yalow Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR CO. LLP

ROSALYN YALOW CHARTER SCHOOL

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2017

(With Comparative Totals for 2016)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rosalyn Yalow Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Rosalyn Yalow Charter School, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, 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 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 Rosalyn Yalow Charter School 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 Rosalyn Yalow Charter School's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2016. In our opinion, the summarized comparative information presented herein as of June 30, 2016 and for the period from June 24, 2014 (date of inception) to June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017 on our consideration of Rosalyn Yalow 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 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 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 Rosalyn Yalow Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 10, 2017

ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(With Comparative Totals for 2016)

	<u>June 30,</u>	
<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 1,029,970	\$ 140,501
Grants and other receivables	218,932	687,961
Prepaid expenses and other current assets	<u>145,601</u>	<u>51,215</u>
TOTAL CURRENT ASSETS	1,394,503	879,677
 <u>PROPERTY AND EQUIPMENT, net</u>	 306,460	 254,279
 <u>OTHER ASSETS</u>		
Deposits	23,070	23,070
Cash in escrow	<u>50,000</u>	<u>25,000</u>
TOTAL ASSETS	<u>\$ 1,774,033</u>	<u>\$ 1,182,026</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 84,974	\$ 52,003
Accrued payroll and benefits	173,968	50,453
Deferred revenue	<u>14,027</u>	<u>12,142</u>
TOTAL CURRENT LIABILITIES	272,969	114,598
 <u>DEFERRED LEASE LIABILITY</u>	 183,333	 166,667
 <u>NET ASSETS</u>		
Unrestricted	1,313,731	896,761
Temporarily restricted	<u>4,000</u>	<u>4,000</u>
TOTAL NET ASSETS	<u>1,317,731</u>	<u>900,761</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,774,033</u>	<u>\$ 1,182,026</u>

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

ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	Year ended June 30, 2017			Period from June 24, 2014 (date of inception) to June 30, 2016
	Unrestricted	Temporarily restricted	Total	
Operating revenue and support:				
State and local per pupil operating revenue	\$ 4,508,012	\$ -	\$ 4,508,012	\$ 3,711,512
Federal grants	421,822	-	421,822	557,932
State grants	124,805	-	124,805	343,238
Fundraising	9,729	-	9,729	10,513
Contributed goods and services	63,625	-	63,625	358,591
Other income	-	-	-	1,709
TOTAL OPERATING REVENUE AND SUPPORT	5,127,993	-	5,127,993	4,983,495
Expenses:				
Program:				
Regular education	3,294,054	-	3,294,054	2,578,454
Special education	722,065	-	722,065	462,286
Management and general	694,904	-	694,904	1,041,994
TOTAL EXPENSES	4,711,023	-	4,711,023	4,082,734
CHANGE IN NET ASSETS	416,970	-	416,970	900,761
Net assets at beginning of year	896,761	4,000	900,761	-
NET ASSETS AT END OF YEAR	\$ 1,313,731	\$ 4,000	\$ 1,317,731	\$ 900,761

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

ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017
 (With Comparative Totals for 2016)

	No. of Positions	Year Ended June 30, 2017							Period from June 24, 2014 (date of inception) to June 30, 2016
		Program Services			Supporting Services				
		Regular Education	Special Education	Sub-total	Fundraising	Management and General	Sub-total	Total	
Personnel services costs:									
Administrative staff personnel	12	\$ 412,713	\$ 60,335	\$ 473,048	\$ -	\$ 227,756	\$ 227,756	\$ 700,804	\$ 612,861
Instructional personnel	47.5	1,440,026	352,279	1,792,305	-	-	-	1,792,305	1,115,094
Non-instructional personnel	4.5	100,605	13,661	114,266	-	8,330	8,330	122,596	88,207
Total salaries and wages	64	1,953,344	426,275	2,379,619	-	236,086	236,086	2,615,705	1,816,162
Fringe benefits and payroll taxes		314,821	68,703	383,524	-	38,050	38,050	421,574	301,793
Retirement		6,254	1,365	7,619	-	756	756	8,375	-
Legal services		-	-	-	-	13,704	13,704	13,704	364,791
Accounting/Audit services		-	-	-	-	171,801	171,801	171,801	240,024
Other Purchased/Professional/Consulting Services		101,764	37,058	138,822	-	12,300	12,300	151,122	98,452
Building and Land Rent / Lease		535,190	116,793	651,983	-	64,684	64,684	716,667	721,664
Repairs and maintenance		36,189	7,897	44,086	-	4,374	4,374	48,460	81,456
Insurance		18,352	4,005	22,357	-	2,218	2,218	24,575	33,184
Utilities		39,691	8,662	48,353	-	4,797	4,797	53,150	43,076
Supplies/Materials		46,722	6,258	52,980	-	-	-	52,980	153,038
Equipment/Furnishings		3,695	807	4,502	-	447	447	4,949	6,532
Staff development		76,703	10,530	87,233	-	482	482	87,715	61,241
Marketing/Recruitment		74,019	15,901	89,920	-	8,590	8,590	98,510	21,696
Technology		59,377	12,958	72,335	-	7,176	7,176	79,511	35,332
Food service		699	93	792	-	-	-	792	4,416
Student services		13,862	1,842	15,704	-	-	-	15,704	12,403
Office expense		13,372	2,918	16,290	-	28,293	28,293	44,583	41,109
Depreciation and amortization		-	-	-	-	100,923	100,923	100,923	45,331
Other		-	-	-	-	223	223	223	1,034
		\$ 3,294,054	\$ 722,065	\$ 4,016,119	\$ -	\$ 694,904	\$ 694,904	\$ 4,711,023	\$ 4,082,734

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

ROSALYN YALOW CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	Year ended June 30, 2017	Period from June 24, 2014 (date of inception) to June 30, 2016
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 416,970	\$ 900,761
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	100,923	45,331
Donation of property and equipment	(55,255)	-
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	469,029	(687,961)
Prepaid expenses and other current assets	(94,386)	(51,215)
Deposits	-	(23,070)
Accounts payable and accrued expenses	32,971	52,003
Accrued payroll and benefits	123,515	50,453
Deferred revenue	1,885	12,142
Deferred lease liability	16,666	166,667
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,012,318	465,111
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(97,849)	(299,610)
Increase in cash in escrow	(25,000)	(25,000)
NET CASH USED FOR INVESTING ACTIVITIES	(122,849)	(324,610)
NET INCREASE IN CASH	889,469	140,501
Cash at beginning of year	140,501	-
CASH AT END OF YEAR	<u>\$ 1,029,970</u>	<u>\$ 140,501</u>

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

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

(With Comparative totals for 2016)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Rosalyn Yalow Charter School (the “Charter School”) is an educational corporation that operates as a charter school in Bronx, New York. The Charter School engages its students in a process of inquiry. The students are equipped with the necessary skills to lead fulfilling personal and professional lives, including a developed sense of self, the ability to think in innovative and flexible ways, and the inspiration to make a positive impact on their community. On June 24, 2014 the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports 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.

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter 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 Charter School. The Charter School had no permanently restricted net assets at June 30, 2017 or 2016.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. The Charter School had \$4,000 in temporarily restricted net assets at June 30, 2017 and 2016.

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School’s charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Charter School when qualifying expenditures are incurred and billable.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Contributions

Contributions received are recorded as unrestricted, temporarily or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded as 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash

Cash balances are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The agreement requires \$25,000 be placed in escrow each of the first three years of operations and a balance of \$75,000 be maintained to fund any audit and legal expenses incurred should the Charter School cease operations and dissolve.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2017 or 2016.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to seven years. Leasehold improvements are being amortized over the term of the lease.

Contributed goods and services

The Charter School received transportation services, a nurse, speech therapist, occupational therapist, physical therapist, food supplies and services and lease assistance from the local district. These services are not valued in the financial statements.

The Charter School received contributed legal services which were valued at \$8,370 and \$358,591 for the year ended June 30, 2017 and for the period ended June 30, 2016, respectively. These amounts are included in contributed goods and services in the accompanying statement of activities and changes in net assets.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

The Charter School received donated property and equipment during the year ended June 30, 2017. Donated goods are valued at the fair value of the items at the date of donation. The Charter School valued the goods received during the year ended June 30, 2017 at \$55,255. This amount is included in contributed goods and services in the accompanying statement of activities and changes in net assets and in property and equipment on the statement of financial position. No such donations were recorded for the period ended June 30, 2016.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2014 through June 30, 2017 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$98,500 and \$21,700 for the year ended June 30, 2017 and the period ended June 30, 2016, respectively.

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

Deferred lease liability

The Charter School leases its facility. The lease contains pre-determined fixed escalation of the base rent. In accordance with GAAP, the Charter School recognizes the related rent expense on a straight-line basis over three years which is the lease term and records the difference between the recognized rental expense and the amounts payable under the lease as a deferred lease liability.

Use of estimates in the preparation of financial statements

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 10, 2017, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 195,383	\$ 113,517
Leasehold improvements	69,686	65,029
Office equipment	31,801	31,801
Computers and equipment	155,844	89,263
	<u>452,714</u>	<u>299,610</u>
Less accumulated depreciation and amortization	146,254	45,331
	<u>\$ 306,460</u>	<u>\$ 254,279</u>

NOTE C: RENT EXPENSE

The Charter School signed a lease for its facility from a third party commencing July 1, 2015 through June 2018. Total rental expense was approximately \$717,000 and \$722,000 for the year ended June 30, 2017 and for the period ended June 30, 2016, respectively. Future expected minimum payment for this lease is \$900,000 for 2018.

NOTE D: OPERATING LEASE

The Charter School signed an agreement to lease office equipment in August 2015 and then amended the agreement in June 2016. The term of the amended agreement is through May 2019. Future expected minimum payments for this lease are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2018	13,100
2019	<u>12,000</u>
Total	<u>\$ 25,100</u>

ROSALYN YALOW CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE E: CONTINGENCIES

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such 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.

In August 2016, a complaint was served on the School. The Plaintiffs are claiming negligence, recklessness, and carelessness and gross negligence. The outcome of the suit is currently undeterminable; therefore, no amount has been accrued in the accompanying financial statements.

The claim is being vigorously defended and management believes there will be no material adverse effect on the School's financial position as a result of the outcome of this outstanding legal matter.

NOTE F: CONCENTRATIONS

Approximately 48% and 55% of grants and other receivables are due from various New York State agencies relating to certain grants at June 30, 2017 and 2016, respectively. Approximately 40% and 44% of grants and other receivables are due from the federal government relating to certain grants at June 30, 2017 and 2016, respectively.

For the year ended June 30, 2017 and the period ended June 30, 2016, approximately 88% and 74%, respectively, of total operating revenue and support came from per-pupil funding provided by the New York City School District. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE G: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the "Plan") for its employees. The Plan allows for the Charter School to make discretionary contributions to the Plan. The Charter School contributed approximately \$8,400 to the Plan for the year ended June 30, 2017. The Charter School did not make any contribution for the period ended June 30, 2016.

ROSALYN YALOW CHARTER SCHOOL

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Rosalyn Yalow Charter School

We have audited the financial statements of Rosalyn Yalow Charter School as of June 30, 2017 and for the period from June 24, 2014 (date of inception) to June 30, 2016, and have issued our reports thereon dated October 10, 2017 and October 18, 2016, respectively, which contained unmodified opinions on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter 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.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 10, 2017

ROSALYN YALOW CHARTER SCHOOL

SCHEDULE OF ACTIVITIES

YEARS ENDED JUNE 30, 2017 AND 2016,

THE PERIOD FROM JUNE 24, 2014 (DATE OF INCEPTION) TO JUNE 30, 2015, AND

THE PERIOD FROM JUNE 24, 2014 (DATE OF INCEPTION) TO JUNE 30, 2016

	Year ended June 30,		Period from June 24, 2014 (date of inception) to June 30, 2015	Period from June 24, 2014 (date of inception) to June 30, 2016
	2017	2016		
State and local per pupil operating revenue	\$ 4,508,012	\$ 3,711,512	\$ -	\$ 3,711,512
Government grants	421,822	371,491	186,441	557,932
Private grants	124,805	343,238	-	343,238
Fundraising	9,729	10,513	-	10,513
Contributed goods and services	63,625	358,591	-	358,591
Other income	-	-	1,709	1,709
TOTAL OPERATING REVENUE AND SUPPORT	5,127,993	4,795,345	188,150	4,983,495
Personnel services costs:				
Administrative staff personnel	700,804	513,088	99,773	612,861
Instructional personnel	1,792,305	1,115,094	-	1,115,094
Non-instructional personnel	122,596	88,207	-	88,207
Total salaries and wages	2,615,705	1,716,389	99,773	1,816,162
Fringe benefits and payroll taxes	421,574	286,807	14,986	301,793
Retirement	8,375	-	-	-
Legal services	13,704	363,041	1,750	364,791
Accounting/Audit services	171,801	205,014	35,010	240,024
Other Purchased/Professional/Consulting Services	151,122	97,594	858	98,452
Building and Land Rent / Lease	716,667	716,664	5,000	721,664
Repairs and maintenance	48,460	80,264	1,192	81,456
Insurance	24,575	29,893	3,291	33,184
Utilities	53,150	43,076	-	43,076
Supplies/Materials	52,980	152,655	383	153,038
Equipment/Furnishings	4,949	6,532	-	6,532
Staff development	87,715	58,241	3,000	61,241
Marketing/Recruitment	98,510	10,798	10,898	21,696
Technology	79,511	35,302	30	35,332
Food service	792	4,416	-	4,416
Student services	15,704	12,403	-	12,403
Office expense	44,583	40,330	779	41,109
Depreciation	100,923	45,331	-	45,331
Other	223	1,018	16	1,034
TOTAL EXPENSES	4,711,023	3,905,768	176,966	4,082,734
CHANGE IN NET ASSETS	\$ 416,970	\$ 889,577	\$ 11,184	\$ 900,761

ROSALYN YALOW CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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*

Board of Trustees
Rosalyn Yalow Charter School

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 Rosalyn Yalow Charter School, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, 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 10, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rosalyn Yalow 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rosalyn Yalow Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Rosalyn Yalow 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Rosalyn Yalow 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*.

We noted certain matters that we have reported to management of Rosalyn Yalow Charter School in a separate letter dated October 10, 2017.

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 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.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 10, 2017

ROSALYN YALOW CHARTER SCHOOL

ADVISORY COMMENT LETTER

JUNE 30, 2017



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 10, 2017

Board of Trustees
Rosalyn Yalow Charter School

In planning and performing our audit of the financial statements of Rosalyn Yalow Charter School (the “Charter School”) as of June 30, 2017 and for the period June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter School’s internal control over financial reporting (internal control) as a basis for designing 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 Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this letter and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

During the course of our audit of the financial statements of Rosalyn Yalow Charter School for the year ended June 30, 2017 we have updated the status of the comments that were included in our letter dated October 18, 2016 and are included for informational purposes. We did not consider the comments to be significant deficiencies or material weaknesses:

Financial Policies and Procedures

During performance of our audit procedures, we noted certain financial policies and procedures, as outlined in the Fiscal Policies and Procedures Manual (“FPPM”), which were designed to ensure timely identification of material errors and accurate reporting, were not always followed and those exceptions are detailed below:

- The FPPM states the Principal will review and sign off on the bank reconciliations. We noted that bank reconciliations are being reviewed and signed by the Executive Director and not the Principal.
- The FPPM states for purchases over \$25,000, multiple bids should be solicited to ensure best value. We noted that certain contracts were entered into which exceeded \$25,000 but did not go through the bidding process.

Recommendation

The Charter School has extensive policies and procedures which are formally documented in the FPPM and has hired an outside financial consultant to assist with these controls. We recommend the Charter School comply with these internal controls as documented in the FPPM. If revisions to these policies or procedures are required to reflect changes, they should be documented and disseminated to all affected personnel.

Management responses at June 30, 2016

Management has reviewed the recommendations and will strive to comply with the internal controls as documented in the FPPM. Management will revise and document changes to the policies and procedures to address the exceptions noted.

The FPPM states the Principal will review and sign off on the bank reconciliations. Management will revise the FPPM to state that the Executive Director will review and sign off on the bank reconciliations.

The FPPM states for purchases over \$25,000, multiple bids should be solicited to ensure best value. Management will revise the FPPM to state the exception to the policy will be noted when the school is limited to contract with vendors listed as sole source providers of materials and curriculum.

Status as of June 30, 2017

During the current year audit, we noted the FPPM was revised and stated the Executive Director will review and sign off on the bank reconciliations and we noted in our testing this procedure was followed. In addition, we noted the FPPM was revised to state the exception to the policy for bids with vendors that are listed as sole source providers. During our testing of a purchase over \$25,000, there were no bids, as the vendor is considered a sole source provider.

Finance Committee

During our audit we noted there is no formal finance committee. The School’s By-Laws state that the Board shall maintain a finance committee with a minimum of 3 members.

& Recommendation

We recommend a formal finance committee be established and minutes of all Board committees be maintained. The current Form 990 inquires if all committee meetings were documented as well as meetings of the governing body. Keeping minutes of all meetings is also an indication of good governance.

& Management response at June 30, 2016

Management has reviewed and agrees with the recommendation. Management will vote to establish a formal finance committee and regularly document committee meetings to be abide by the School's By-Laws and promote good governance.

Status as of June 30, 2017

During the current year audit, we noted a Finance Committee was created during the fiscal year 2017. However, we also noted there were no separate meeting minutes, there was a Finance Committee report and within the monthly Board meeting minutes.

* * * * *

This communication is intended solely for the information and use of Management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the Charter School's financial statements. Should you have any questions or comments, please contact Shelby Stenson or Ryan Snyder.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR CO. LLP

ROSALYN YALOW CHARTER SCHOOL

AGREED UPON PROCEDURES

YEAR ENDED JUNE 30, 2017



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT ACCOUNTANT’S REPORT ON CSP FUNDING

Board of Trustees
Rosalyn Yalow Charter School

We have performed the procedures identified below, which were agreed to by the management of Rosalyn Yalow Charter School (the “Charter School”) and the New York State Education Department (“NYSED”), solely to assist the specified parties in evaluating the Charter School’s assertion to NYSED that it has maintained compliance with the requirements of the CSP grant and Federal and NYSED guidelines in managing the CSP grant.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our results are as follows:

Procedure No. 1: We will obtain the detail of expenditures incurred for the period under review relating to the CSP grant from the Charter School’s accounting software and reconcile to the grant revenue recorded by the Charter School. If the CSP grant revenue does not equal the grant expenditures, we will investigate the differences.

Result

We obtained the detail of expenditures incurred for the year under review relating to the CSP grant from the Charter School’s accounting software and reconciled to the grant revenue recorded by the Charter School. We observed the CSP revenue equaled the grant expenditures.

Procedure No. 2: We will obtain the NYSED approved CSP grant award information, including the budget and any amendments, to determine if the revenue and expenditures recorded for the period appear reasonable.

Result

We observed the Charter School’s approved FS-10, FS-10-A, and final expenditure summary, and it appears that revenue and expenditures in the period are reasonable.

Procedure No. 3: We will select a sample of expenditures from the detail obtained in Procedure No. 1.

- a. Payroll – We will select 10 items or 10% of the total number of payroll items charged to the grant, whichever is less.
- b. Other expenditures – We will select 10 items or 10% of the total number of other expenditures items charged to the grant, whichever is less.
- c. Using the above selected items, we will:
 - i. Determine if the expenditure is in accordance with the purpose of the grant and that pre-opening expenditures are charged to pre-opening periods.
 - ii. Determine if the expenditure falls into an approved budget category.
 - iii. Determine if the expenditure was charged to the appropriate fiscal period.

Result

We selected a sample of five payroll items and ten other expenditures. Based on our testing, we noted that the payroll items and expenditures fall into the appropriate budget category and that the payroll items and expenditures were charged to the appropriate fiscal period. For all selections, we observed that the payroll items and expenditures were in accordance with the purpose of the grant.

Procedure No. 4: We will obtain FS-25 form(s) submitted to NYSED during the period under review and perform the following:

- a. Trace expenditures selected in Procedure No. 3 to requests for reimbursement. Determine that items requested for reimbursement had previously been expended or were expended within a month following the request for reimbursement. If items have not yet been requested for reimbursement, inquire of responsible charter school officials as to the plan for requesting reimbursement, and determine if a receivable is recorded, if appropriate.
- b. If FS-25 forms included amounts on Line 4 (Cash Expenditures Anticipated During Next Month), we will select one FS-25 and determine if funds were expended within one month following the date of the request.

Result

We obtained the Charter School's FS-25s and noted the selected items were appropriately included in the request for reimbursement. The requests for reimbursement appear to be in the appropriate period. The Charter School had one FS-25 during the period which had a balance on Line 4 (Cash Expenditures Anticipated During Next Month). We noted the funds were expended within one month following the date of requests, except for the following FS-25.

<u>Month</u>	<u>Amount reported on line 4</u>	<u>Amount expended in the following month</u>
May 2017	\$17,000	\$6,000

Management Response

The Charter School did expend funds within one month following the date of request; however, due to the timing of expenses and other grants, expense were subsequently re-tagged to the grant after the FS-25 was issued. All funds received under the CSP grant were properly expended and tagged during the period ending June 30, 2017.

Procedure No. 5: For schools with a weighted lottery during the period under review we will:

- a. Obtain documentation that the school received permission from the NYSED Charter School Office for the weighted lottery.
- b. Obtain the results of the weighted lottery.
 - Note that weighted lotteries must be conducted using the NYSED Weighted Lottery Generator (WLG). When the WLG is used, a copy of the 'lottery PDF' should be observed. (This PDF is generated after the WLG has conducted the lottery.)

Result

The Charter School does not have a weighted lottery during the period under review.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Charter School's compliance with the requirements of the CSP grant. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of Rosalyn Yalow Charter School and the New York State Education Department, and it is not intended to be and should not be used by anyone other than the specified parties.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 10, 2017