

**SOUTH BRONX COMMUNITY CHARTER HIGH
SCHOOL**

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2017



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9
 <u>OTHER FINANCIAL INFORMATION</u>	
Independent Auditor's Report on Other Financial Information	14
Schedule of Activities for the year ended June 30, 2017 and the period from November 17, 2015 (date of inception) to June 30, 2016	15
 <u>REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	
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 <i>Government Auditing Standards</i>	17
Schedule of Findings and Responses	19

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
South Bronx Community Charter High School

Report on the Financial Statements

We have audited the accompanying financial statements of South Bronx Community Charter High 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 period from November 17, 2015 (date of inception) to June 30, 2017, 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 South Bronx Community Charter High School as of June 30, 2017, and the changes in its net assets and its cash flows for the period from November 17, 2015 (date of inception) to June 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2017 on our consideration of South Bronx Community Charter High 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 South Bronx Community Charter High School's internal control over financial reporting and compliance.

Mengel, Metzger, Bar & Co. LLP

Rochester, New York
October 23, 2017

SOUTH BRONX COMMUNITY CHARTER HIGH SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 195,494
Grants and other receivables	178,260
Prepaid expenses and other current assets	<u>29,871</u>
TOTAL CURRENT ASSETS	403,625

PROPERTY AND EQUIPMENT, net 96,371

OTHER ASSETS

Security deposit	51,667
Cash in escrow	<u>25,003</u>
	<u>76,670</u>
TOTAL ASSETS	<u>\$ 576,666</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 83,153
Accrued payroll and benefits	52,210
Deferred revenue	<u>261,654</u>
TOTAL CURRENT LIABILITIES	397,017

NET ASSETS, unrestricted 179,649

TOTAL LIABILITIES AND NET ASSETS \$ 576,666

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

SOUTH BRONX COMMUNITY CHARTER HIGH SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

PERIOD FROM NOVEMBER 17, 2015 (DATE OF INCEPTION) TO JUNE 30, 2017

Operating revenue and support:		
State and local per pupil operating revenue		\$ 1,953,374
Government grants		555,784
Private grants		86,574
Contributed services		118,333
Other income		<u>671</u>
	TOTAL OPERATING REVENUE AND SUPPORT	2,714,736
Expenses:		
Program:		
Regular education		1,728,122
Special education		250,327
Management and general		<u>556,638</u>
	TOTAL EXPENSES	<u>2,535,087</u>
	CHANGE IN NET ASSETS	179,649
Unrestricted net assets at beginning of period		<u>-</u>
	UNRESTRICTED NET ASSETS AT END OF PERIOD	<u>\$ 179,649</u>

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

SOUTH BRONX COMMUNITY CHARTER HIGH SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

PERIOD FROM NOVEMBER 17, 2015 (DATE OF INCEPTION) TO JUNE 30, 2017

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Sub-total	Management and General	
Personnel Services Costs:						
Administrative staff personnel		\$ 323,365	\$ 46,841	\$ 370,206	\$ 175,384	\$ 545,590
Instructional personnel						1,214,982
Total salaries and wages			131,538			1,214,982
Fringe benefits and payroll taxes	4	584,695	84,697	669,392		669,392
Legal service	14	908,060		1,039,598	175,384	1,214,982
Accounting / audit services	18			246,949	-	246,949
Other purchased / professional / consulting services		215,703	31,246		41,662	288,611
Building and land rent / lease			33,770		121,836	155,606
Repairs and maintenance				79,379	121,084	200,463
Insurance		69,335	10,044	431	12,819	82,629
Utilities		233,129		266,899	43,101	313,129
Supplies / materials			7,369			7,369
Equipment / furnishings		2,978		3,400		6,378
Staff development		21,917	3,175	35,092	551	37,235
Marketing / recruitment			4,217	18,154	4,052	26,423
Technology		50,875		58,244	5,383	114,502
Student services		15,857	2,297	60,050	9,406	127,600
Office expense		52,452	7,598		2,932	62,982
Depreciation		14,287	2,070	16,357	9,698	38,312
Other			2,070	324	2,641	5,035
		88,381	11,803	93,284	53	99,620
		<u>\$ 7,811,728,122</u>	<u>\$ 131,250,327</u>	<u>\$ 19,167,449</u>	<u>\$ 444,556,638</u>	<u>\$ 10,386,535,087</u>
		16,738	2,424		3,094	22,686
		8,101	1,173	9,274	1,498	20,046

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

SOUTH BRONX COMMUNITY CHARTER HIGH SCHOOL

STATEMENT OF CASH FLOWS

PERIOD FROM NOVEMBER 17, 2015 (DATE OF INCEPTION) TO JUNE 30, 2017

CASH FLOWS - OPERATING ACTIVITIES

Change in net assets	\$ 179,649
Adjustments to reconcile change in net assets to net cash provided from operating activities:	
Depreciation and amortization	22,256
Changes in certain assets and liabilities affecting operations:	
Grants and other receivables	(178,260)
Prepaid expenses and other current assets	(29,871)
Accounts payable and accrued expenses	83,153
Accrued payroll and benefits	52,210
Deferred revenue	<u>261,654</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	390,791

CASH FLOWS - INVESTING ACTIVITIES

Purchases of property and equipment	(118,627)
Change in cash in escrow	(25,003)
Security deposit	<u>(51,667)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(195,297)</u>
NET INCREASE IN CASH	195,494

Cash at beginning of period	<u>-</u>
CASH AT END OF PERIOD	<u>\$ 195,494</u>

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

SOUTH BRONX COMMUNITY CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

The Charter School

South Bronx Community Charter High School (the “Charter School”) is an educational corporation that operates as a charter school in Bronx, New York. The Charter School promotes student excellence through an emphasis on academic, personal and professional skills in a supportive and responsive learning environment. The Charter School’s students graduate with a positive sense of self, ready to design and realize their futures in college, community and career. On November 17, 2015 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.

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 no temporarily restricted net assets at June 30, 2017.

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.

SOUTH BRONX COMMUNITY CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

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 a financial institution located in New York and are insured by the Federal Deposit Insurance Corporation up to \$250,000. 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 amount in escrow was \$25,003 at June 30, 2017.

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.

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.

Contributed services

The Charter school receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. In addition, the Charter School received donated transportation services that were provided for the students from the local district. These services are not valued in the financial statements.

The Charter School received contributed legal services which were valued at \$118,333 for the period from November 17, 2015 (date of inception) to June 30, 2017. These amounts are included in contributed services in the accompanying statement of activities and changes in net assets.

SOUTH BRONX COMMUNITY CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

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

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution.

Note payable

The Charter School had a short-term note payable during the period ended June 30, 2016 which accrued interest at the greater of 2.5% or the IRS short-term AFR. The note was in place to finance school expenditures until funding from a federal start-up grant was awarded. The note was paid in full during July 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 period ended June 30, 2016 and the year ended 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 has not recognized any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$19,000 for the period from November 17, 2015 (date of inception) to June 30, 2017.

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.

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 23, 2017, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, except as disclosed in Note C and Note F.

SOUTH BRONX COMMUNITY CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>June 30,</u> <u>2017</u>
Furniture and fixtures	\$ 39,807
Computers	<u>78,820</u>
	118,627
Less accumulated depreciation and amortization	<u>22,256</u>
	<u>\$ 96,371</u>

NOTE C: SCHOOL FACILITY

The Charter School signed a lease for its facility with a third party commencing July 1, 2016 through June 30, 2017. Total rental expense was approximately \$310,000 for the period from November 17, 2015 (date of inception) to June 30, 2017. In June 2017, the Charter School renewed their lease on the existing space and added additional square footage to accommodate the growth of the school. The lease now expires June 30, 2018. Base rent for the year from July 2017 through June 2018 shall be \$666,575. In addition, the Charter School is required to deposit an additional \$59,429 with the landlord to be held as a security deposit.

NOTE D: CONTINGENCY

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.

NOTE E: CONCENTRATIONS

At June 30, 2017, approximately 100% of grants and other receivables are due from a New York State agency related to certain grants.

During the period from November 17, 2015 (date of inception) to June 30, 2017, approximately 72% of total operating revenue and support came from per-pupil funding provided by New York State. 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 F: SUBSEQUENT EVENT

During August 2017, the Charter School began sponsoring a 403(b) retirement plan (the "Plan") for its employees. The Plan allows for the Charter School to make discretionary contributions to the Plan.

**SOUTH BRONX COMMUNITY CHARTER HIGH
SCHOOL**

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
South Bronx Community Charter High School

We have audited the financial statements of South Bronx Community Charter High School as of June 30, 2017 and for the period from November 17, 2015 (date of inception) to June 30, 2017, and have issued our report thereon dated October 23, 2017, which contained an unmodified opinion on those financial statements. Our audit was 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the period from November 17, 2015 (date of inception) to June 30, 2017.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 23, 2017

SOUTH BRONX COMMUNITY CHARTER HIGH SCHOOL

SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2017 AND THE PERIOD FROM
NOVEMBER 17, 2015 (DATE OF INCEPTION) TO JUNE 30, 2016

	Year ended June 30, 2017	Period from November 17, 2015 (date of inception) to June 30, 2016	Total
Operating revenue and support:			
State and local per pupil operating revenue	\$ 1,953,374	\$ -	\$ 1,953,374
Government grants	453,640	102,144	555,784
Private grants	86,574	-	86,574
Contributed services	118,333	-	118,333
	<u>171</u>	<u>500</u>	<u>671</u>
TOTAL OPERATING REVENUE AND SUPPORT	2,612,092	102,644	2,714,736
Personnel services costs:			
Administrative staff personnel	531,820	13,770	545,590
Instructional personnel	<u>669,392</u>	<u>-</u>	<u>669,392</u>
Total salaries and wages	1,201,212	13,770	1,214,982
Fringe benefits and payroll taxes	288,184	427	288,611
Legal service	121,261	575	121,836
Accounting / audit services	101,964	19,120	121,084
Other purchased / professional / consulting services	91,082	1,116	92,198
Building and land rent / lease	310,000	-	310,000
Repairs and maintenance	3,960	-	3,960
Insurance	26,445	2,699	29,144
Utilities	38,715	-	38,715
Supplies / materials	67,392	258	67,650
Equipment / furnishings	21,086	-	21,086
Staff development	59,281	10,467	69,748
Marketing / recruitment	13,456	5,542	18,998
Technology	377	-	377
Student services	93,284	-	93,284
Office expense	10,386	-	10,386
Depreciation	22,256	-	22,256
Other	<u>10,080</u>	<u>692</u>	<u>10,772</u>
TOTAL EXPENSES	<u>2,480,421</u>	<u>54,666</u>	<u>2,535,087</u>
CHANGE IN NET ASSETS	<u>\$ 131,671</u>	<u>\$ 47,978</u>	<u>\$ 179,649</u>

SOUTH BRONX COMMUNITY CHARTER HIGH 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
South Bronx Community Charter High 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 South Bronx Community Charter High 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 period from November 17, 2015 (date of inception) to June 30, 2017 and the related notes to the financial statements, and have issued our report thereon dated October 23, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Bronx Community Charter High 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 South Bronx Community Charter High School's internal control. Accordingly, we do not express an opinion on the effectiveness of South Bronx Community Charter High 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 South Bronx Community Charter High 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2017-001.

We noted certain other matters that we have reported to management of South Bronx Community Charter High School in a separate letter dated October 23, 2017.

South Bronx Community Charter High School's Response to Finding

South Bronx Community Charter High School's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. South Bronx Community Charter High School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, Barw & Co. LLP

Rochester, New York
October 23, 2017

SOUTH BRONX COMMUNITY CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2017

Finding 2017-001

Statement of condition

During our audit we noted the Charter School did not adhere to the terms of their charter agreement, resulting in a late deposit of \$25,000 into the Charter School's escrow account.

Criteria and effect of conditions

During our audit we noted the Charter School's charter agreement required the School to deposit \$25,000 into the escrow account by December 31, 2016. We noted the School did not deposit the \$25,000 into the escrow account until June 30, 2017.

Recommendation

We recommend the second required deposit installment of \$25,000 be made by December 31, 2017.

Management response

Management acknowledges and deposited the additional \$25,000 in October 2017.