

TAPESTRY CHARTER SCHOOL

Financial Statements

Years Ended June 30, 2018 and 2017

(With Independent Auditor's Report Thereon)

TAPESTRY CHARTER SCHOOL

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Independent Auditor's Report

To the Board of Directors
Tapestry Charter School
Buffalo, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Tapestry Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Tapestry Charter School as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

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

Amato, Fox & Company, P.C.

Tonawanda, New York

October 26, 2018

TAPESTRY CHARTER SCHOOL
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
<u>ASSETS</u>		
Current assets:		
Cash	\$ 5,068,232	\$ 3,375,597
Accounts receivable	420,647	522,505
Prepaid expenses	9,143	22,075
Total current assets	5,498,022	3,920,177
Property and equipment , net of accumulated depreciation of \$5,710,678 and \$5,039,002 in 2018 and 2017	12,203,605	12,829,012
Investments , held in trust	8,926,945	-
Other assets:		
Deferred loan fees, net	-	80,619
Construction in progress	12,628,812	77,953
Security deposit	250	250
Total assets	\$ 39,257,634	\$ 16,908,011
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 280,522	\$ 134,110
Accrued expenses	2,235,262	1,585,969
Deferred revenue	28,208	62,944
Current maturities of long-term debt	-	654,724
Total current liabilities	2,543,992	2,437,747
Long term liabilities:		
Long-term debt, net	-	11,153,976
Bonds payable, net	33,603,970	-
Total long term liabilities	33,603,970	11,153,976
Total liabilities	36,147,962	13,591,723
Net assets:		
Unrestricted	3,071,578	3,278,852
Temporarily restricted	38,094	37,436
Total net assets	3,109,672	3,316,288
Total liabilities and net assets	\$ 39,257,634	\$ 16,908,011

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

TAPESTRY CHARTER SCHOOL
Statement of Activities
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support:			
Public School District:			
Revenue - Resident student enrollment	\$ 11,344,267	\$ -	\$ 11,344,267
Revenue - Students with disabilities	815,772	-	815,772
Grants and contracts	-	662,271	662,271
Cafeteria income	340,506	-	340,506
Contributions	6,038	3,937	9,975
Fundraising income, net of direct expenses of \$25,670	4,882	-	4,882
Rental of facilities	6,805	-	6,805
Interest income	139,054	-	139,054
Miscellaneous income	84,941	-	84,941
Net assets released from restrictions:			
Satisfaction of program restrictions	665,550	(665,550)	-
Total revenues, gains and other support	<u>13,407,815</u>	<u>658</u>	<u>13,408,473</u>
Expenses and Losses:			
Program services:			
Regular education	7,476,033	-	7,476,033
Special education	860,101	-	860,101
Other programs	1,345,368	-	1,345,368
Total program services	<u>9,681,502</u>	<u>-</u>	<u>9,681,502</u>
Supporting services:			
Management and general	3,459,715	-	3,459,715
Development activities	5,537	-	5,537
Total expenses	<u>13,146,754</u>	<u>-</u>	<u>13,146,754</u>
Early extinguishment of debt	468,335	-	468,335
Total expenses and losses	<u>13,615,089</u>	<u>-</u>	<u>13,615,089</u>
Change in net assets	(207,274)	658	(206,616)
Net assets at beginning of year	<u>3,278,852</u>	<u>37,436</u>	<u>3,316,288</u>
Net assets at end of year	<u>\$ 3,071,578</u>	<u>\$ 38,094</u>	<u>\$ 3,109,672</u>

The accompanying notes are an integral part of this financial statement.

TAPESTRY CHARTER SCHOOL
Statement of Activities
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support:			
Public School District:			
Resident student enrollment	10,655,049	\$ -	\$ 10,655,049
Students with disabilities	660,398	-	660,398
Grants and contracts	-	286,827	286,827
Cafeteria income	318,704	-	318,704
Contributions	3,804	14,563	18,367
Fundraising income, net of direct expenses of \$21,708	19,086	-	19,086
Rental of facilities	4,140	-	4,140
Interest income	5,415	-	5,415
Miscellaneous income	145,219	-	145,219
Net assets released from restrictions:			
Satisfaction of program restrictions	291,683	(291,683)	-
Total revenues, gains and other support	<u>12,103,498</u>	<u>9,707</u>	<u>12,113,205</u>
Expenses and Losses:			
Program services:			
Regular education	7,215,532	-	7,215,532
Special education	708,209	-	708,209
Other programs	1,200,583	-	1,200,583
Total program services	<u>9,124,324</u>	<u>-</u>	<u>9,124,324</u>
Supporting services:			
Management and general	2,232,231	-	2,232,231
Development activities	5,105	-	5,105
Total expenses and losses	<u>11,361,660</u>	<u>-</u>	<u>11,361,660</u>
Change in net assets	741,838	9,707	751,545
Net assets at beginning of year	<u>2,537,014</u>	<u>27,729</u>	<u>2,564,743</u>
Net assets at end of year	<u>\$ 3,278,852</u>	<u>\$ 37,436</u>	<u>\$ 3,316,288</u>

The accompanying notes are an integral part of this financial statement.

TAPESTRY CHARTER SCHOOL
Statement of Functional Expenses
Year Ended June 30, 2018

	No. of Positions	Program Services			Supporting Services			
		Regular Education	Special Education	Other Programs	Total	Management and General	Development Activities	Total
Salaries and wages:								
Administrative staff	19	\$ -	\$ -	\$ -	\$ -	\$ 918,316	\$ -	\$ 918,316
Instrucional	120	4,641,744	594,182	-	5,235,926	-	-	5,235,926
Non-instructional	18	-	-	799,007	799,007	-	-	799,007
Total salaries	<u>157</u>	<u>4,641,744</u>	<u>594,182</u>	<u>799,007</u>	<u>6,034,933</u>	<u>918,316</u>	<u>-</u>	<u>6,953,249</u>
Payroll taxes		344,524	44,102	59,305	447,931	68,160	-	516,091
Employee benefits		716,367	91,701	123,312	931,380	141,725	-	1,073,105
Food service		-	-	158,067	158,067	-	-	158,067
Accounting and legal		-	-	-	-	193,859	-	193,859
Books and instructional material		5,108	-	-	5,108	-	-	5,108
Instructional consultants		19,832	61,816	-	81,648	-	-	81,648
Contracted services		-	-	-	-	224,659	-	224,659
Travel and conferences		7,210	-	-	7,210	-	-	7,210
Utilities		-	-	-	-	125,343	-	125,343
Classroom supplies		87,843	-	-	87,843	-	-	87,843
Arts, dance and music		18,936	-	-	18,936	-	-	18,936
Scholarships		-	-	2,500	2,500	-	-	2,500
Student services		9,824	-	1,085	10,909	-	-	10,909
Staff development		59,481	-	-	59,481	-	-	59,481
Interest expense		-	-	-	-	1,523,745	-	1,523,745
Office expense		-	-	-	-	55,790	-	55,790
Advertising and promotion		-	-	-	-	28,024	-	28,024
Maintenance and repairs		280,417	17,526	17,526	315,469	31,547	3,505	350,521
Telephone		24,889	1,555	1,556	28,000	2,800	311	31,111
Technology expense		196,955	-	-	196,955	-	-	196,955
Field trips and activities		84,922	-	65,077	149,999	-	-	149,999
Student testing and assessment		60,759	-	-	60,759	-	-	60,759
Sports expenses		-	-	63,140	63,140	-	-	63,140
Insurance		137,639	8,603	8,602	154,844	15,484	1,721	172,049
Vehicle expense		-	-	5,575	5,575	-	-	5,575
Mobile classroom		129,726	-	-	129,726	-	-	129,726
Miscellaneous		-	-	-	-	49,031	-	49,031
Depreciation and amortization		649,857	40,616	40,616	731,089	81,232	-	812,321
Total		<u>\$7,476,033</u>	<u>\$ 860,101</u>	<u>\$1,345,368</u>	<u>\$9,681,502</u>	<u>\$3,459,715</u>	<u>\$ 5,537</u>	<u>\$13,146,754</u>

The accompanying notes are an integral part of this financial statement.

TAPESTRY CHARTER SCHOOL
Statement of Functional Expenses
Year Ended June 30, 2017

	<u>No. of Position</u>	<u>Program Services</u>			<u>Supporting Services</u>			
		<u>Regular Education</u>	<u>Special Education</u>	<u>Other Programs</u>	<u>Total</u>	<u>Management and General</u>	<u>Development Activities</u>	<u>Total</u>
Salaries and wages:								
Administrative staff	20	\$ -	\$ -	\$ -	\$ -	\$ 922,772	\$ -	\$ 922,772
Instrucional	108	4,452,619	486,472	-	4,939,091	-	-	4,939,091
Non-instructional	9	-	-	701,129	701,129	-	-	701,129
Total salaries	<u>137</u>	<u>4,452,619</u>	<u>486,472</u>	<u>701,129</u>	<u>5,640,220</u>	<u>922,772</u>	<u>-</u>	<u>6,562,992</u>
Payroll taxes		331,855	36,257	52,255	420,367	68,774	-	489,141
Employee benefits		805,707	88,027	126,870	1,020,604	166,977	-	1,187,581
Food service		-	-	155,379	155,379	-	-	155,379
Accounting and legal		-	-	-	-	191,570	-	191,570
Books and instructional material		6,093	-	-	6,093	-	-	6,093
Instructional consultants		61,020	37,969	-	98,989	-	-	98,989
Contracted services		-	-	-	-	173,289	-	173,289
Travel and conferences		5,423	-	-	5,423	-	-	5,423
Utilities		-	-	-	-	99,701	-	99,701
Classroom supplies		77,475	-	-	77,475	-	-	77,475
Arts, dance and music		23,407	-	-	23,407	-	-	23,407
Postage		-	-	-	-	7,907	-	7,907
Student services		8,334	-	2,122	10,456	-	-	10,456
Staff development		52,388	-	-	52,388	-	-	52,388
Interest expense		-	-	-	-	370,626	-	370,626
Office expense		-	-	-	-	63,743	-	63,743
Advertising and promotion		-	-	-	-	19,331	-	19,331
Maintenance and repairs		279,198	17,450	17,450	314,098	31,410	3,490	348,998
Telephone		31,181	1,949	1,949	35,079	3,507	390	38,976
Technology expense		191,852	-	-	191,852	-	-	191,852
Field trips and activities		89,178	-	45,258	134,436	-	-	134,436
Student testing and assessment		44,925	-	-	44,925	-	-	44,925
Sports expenses		-	-	53,248	53,248	-	-	53,248
Insurance		97,997	6,125	6,124	110,246	11,025	1,225	122,496
Vehicle expense		-	-	4,839	4,839	-	-	4,839
Mobile classroom		113,515	-	-	113,515	-	-	113,515
Miscellaneous		-	-	-	-	33,679	-	33,679
Depreciation and amortization		543,365	33,960	33,960	611,285	67,920	-	679,205
Total		<u>\$7,215,532</u>	<u>\$ 708,209</u>	<u>\$1,200,583</u>	<u>\$9,124,324</u>	<u>\$2,232,231</u>	<u>\$ 5,105</u>	<u>\$ 11,361,660</u>

The accompanying notes are an integral part of this financial statement.

TAPESTRY CHARTER SCHOOL
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Cash received from public school districts	\$ 12,482,061	\$ 10,798,050
Cash received from grants	442,774	360,943
Cash received from contributions	9,975	18,367
Cash received from cafeteria	340,852	318,269
Cash received from other sources	232,676	159,885
Payments to employees for services and benefits	(8,571,531)	(8,216,911)
Payments to vendors and suppliers	(2,987,008)	(2,460,521)
Net cash provided by operating activities	1,949,799	978,082
Cash flows from investing activities:		
Construction in progress payments	(12,550,859)	(34,681)
Purchase of property and equipment	(46,269)	(507,570)
Purchase of restricted bond investments	(8,926,945)	-
Net cash used in investing activities	(21,524,073)	(542,251)
Cash flows from financing activities:		
Payments on equipment lease obligation	-	(9,685)
Principal payments on long-term debt	-	(650,846)
Payments related to debt extinguishment	(468,335)	-
Proceeds from bond financing	22,659,825	-
Payments on bond issuance costs	(924,581)	-
Net cash provided by (used in) financing activities	21,266,909	(660,531)
Net increase (decrease) in cash	1,692,635	(224,700)
Cash at beginning of period	3,375,597	3,600,297
Cash at end of period	\$ 5,068,232	\$ 3,375,597

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

TAPESTRY CHARTER SCHOOL
Statements of Cash Flows, Continued
Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of change in net assets		
to net cash provided by operating activities:		
Change in net assets	\$ (206,616)	\$ 751,545
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation and amortization	812,321	679,205
Early extinguishment of debt	468,335	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	101,858	(418,462)
Prepaid expenses	12,932	10,607
Increase (decrease) in:		
Accounts payable	146,412	(137,105)
Accrued expenses	649,293	69,736
Deferred revenue	(34,736)	22,556
	\$ 1,949,799	\$ 978,082
 Supplemental schedule of cash flow information:		
Cash paid for interest	\$ 850,456	\$ 371,732
 Non-cash items financed with bond proceeds:		
Principal payments on long-term debt	\$11,808,700	\$ -
Bond underwriter discount	\$ 423,750	\$ -
Payments related to debt extinguishment	\$ 468,335	\$ -

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

TAPESTRY CHARTER SCHOOL
Notes to Financial Statements
June 30, 2018 and 2017

Note 1 - Organization and Summary of Significant Accounting Policies

Organization - The mission of Tapestry Charter School (the School) is to educate and inspire a diverse community of K-12 learners by engaging them in rigorous real-world learning experiences which prioritize intellectual, social and emotional growth. The School provides an environment where students are encouraged to become self directed, independent learners. Progressive, interdisciplinary teaching techniques are utilized along with the best resources available to fit the individual learning style of each student. Parent involvement is a significant component in the success of the School. The School enrolls students from families of diverse cultural, racial and socio-economic backgrounds.

The School received a provisional charter on April 24, 2001 from the Education Department of the State of New York. This charter has been renewed and extended through April 24, 2021 in accordance with the provisions of Article 5b of the Education Law.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 958-205-45. Under ASC Topic 958-205-45, the School is required to report information regarding its financial position and activities according to separate unrestricted, temporarily restricted, and permanently restricted classes of net assets. The School did not have any permanently restricted net assets at June 30, 2018 and 2017. Accordingly, net assets of the School and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and may be used for any purpose designated by the School’s Board of Trustees.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School and/or the passage of time.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Equivalents - For purposes of the statements of cash flows, the School considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Receivables – Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. There was no valuation allowance at June 30, 2018 and 2017.

TAPESTRY CHARTER SCHOOL
Notes to Financial Statements, Continued
June 30, 2018 and 2017

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Property and Equipment - Property and equipment are stated at cost, except for donated property and equipment, which is stated at the estimated fair market value at date of receipt. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation of property and equipment is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Upon disposal of property and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities. Estimated service lives are as follows:

• Land improvements	10 – 15 years
• Buildings and improvements	5 – 30 years
• Equipment	3 – 7 years
• Vehicles	5 years

Long-Lived Assets – The School reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. At June 30, 2018, no impairment in value has been recognized.

Promises to Give – Contributions are recognized when the donor makes an unconditional promise to give to the School. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Grant awards are classified as refundable advances until expended for the purposes of the grant since they are conditional promises to give.

Functional Allocation of Expenses - The costs of various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising - The School follows the policy of charging the costs of advertising to expense as incurred. Advertising and promotional expense for the years ending June 30, 2018 and 2017 was \$28,024 and \$19,331, respectively.

Income Taxes - The School is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and is classified as "other than a private foundation". Therefore, no provision for income taxes is reflected in the financial statements.

Uncertain Tax Positions – The School discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the School has taken no uncertain tax positions that require adjustment in its financial statements. IRS forms 990 filed by the School are subject to examination by taxing authorities generally for three years after they were filed.

TAPESTRY CHARTER SCHOOL
Notes to Financial Statements, Continued
June 30, 2018 and 2017

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Subsequent Events - The School has evaluated events and transactions after June 30, 2018, and through October 26, 2018, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

Reclassifications – Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. The reclassifications have no effect on the reported amounts of total net assets or changes in total net assets.

Note 2 - Property and Equipment

Property and equipment at June 30, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Land and improvements	\$ 1,440,171	\$ 1,440,171
Building	12,967,615	12,967,615
Building improvements	1,759,484	1,759,484
Office equipment	186,452	178,451
Instructional equipment	1,247,715	1,212,660
Kitchen equipment	174,300	171,087
Library equipment	74,356	74,356
Maintenance equipment	4,240	4,240
Vehicles	59,950	59,950
	<u>17,914,283</u>	<u>17,868,014</u>
Less accumulated depreciation	<u>(5,710,678)</u>	<u>(5,039,002)</u>
	<u>\$ 12,203,605</u>	<u>\$ 12,829,012</u>

Note 3 - Revolving Lines of Credit

The School has a \$20,000 revolving line of credit with a bank. Advances on the credit line are payable on demand with interest at 14.9%. Any outstanding balance is secured by a general security interest in all assets of the School. The outstanding balance on this agreement at June 30, 2018 and 2017 was \$19,326 and \$ 0-, respectively.

The School also has a \$300,000 line of credit with a bank. Advances on the credit line are payable on demand with interest at the Wall Street Journal prime rate plus 1%. Any outstanding balance is secured by a general security interest in all assets of the School. There was no outstanding balance on this agreement at June 30, 2018 and 2017.

TAPESTRY CHARTER SCHOOL
Notes to Financial Statements, Continued
June 30, 2018 and 2017

Note 4 - Long-term Debt

Long-term debt as of June 30, 2018 and 2017 are summarized as follows:

	2018	2017
Northwest Savings Bank term note payable in 36 monthly installments of \$17,193 including interest at a fixed interest rate of 4.5%.	\$ -	\$ 201,313
Mortgage note payable to Northwest Savings Bank in monthly installments of \$48,673 including interest at a fixed rate of 2.975%. This note matures in April 2023 at which time a balloon payment of the outstanding principle balance is due.	-	9,940,953
Note payable to Northwest Savings Bank in monthly installments of \$17,783 including interest at a fixed rate of 2.975%. This note matures in April 2023 at which time a balloon payment of the outstanding principle balance is due.	-	1,666,434
	-	11,808,700
Less: current maturities	-	654,724
Net long-term debt	\$ -	\$ 11,153,976

During 2018, long-term debt was refinanced in accordance with a loan agreement with the Buffalo and Erie County Industrial Land Development Corporation as detailed in Note 6.

Note 5 – Investments Held in Trust

The following accounts are held by a trustee in compliance with the issuance of 2017 Series bonds:

	2018
Project Fund - Series A	\$ 4,455,632
Project Fund - Series B	1,452,827
Debt Service Reserve Fund - Series A	1,983,866
Debt Service Reserve Fund - Series B	121,410
Capitalized Interest Fund	452,121
Other Bond funds	461,089
	\$ 8,926,945

TAPESTRY CHARTER SCHOOL
Notes to Financial Statements, Continued
June 30, 2018 and 2017

Note 6 – Bonds Payable

Long-term bonds payable as of June 30, 2018 is summarized as follows:

Buffalo and Erie County Industrial Land Development Corporation tax exempt revenue bonds (Tapestry Charter School Project) Series 2017A, with principal payment ranging from \$300,000 to \$595,000 plus interest at 3.875%, final payment due August 2027	\$ 2,545,000
Buffalo and Erie County Industrial Land Development Corporation tax exempt revenue bonds (Tapestry Charter School Project) Series 2017A, with principal payment ranging from \$615,000 to \$995,000 plus interest at 5.000%, final payment due August 2037	7,745,000
Buffalo and Erie County Industrial Land Development Corporation tax exempt revenue bonds (Tapestry Charter School Project) Series 2017A, with principal payment ranging from \$1,005,000 to \$1,555,000 plus interest at 5.000%, final payment due August 2047	12,620,000
Buffalo and Erie County Industrial Land Development Corporation tax exempt revenue bonds (Tapestry Charter School Project) Series 2017A, with principal payment ranging from \$1,635,000 to \$1,985,000 plus interest at 5.000%, final payment due August 2052	9,035,000
Buffalo and Erie County Industrial Land Development Corporation taxable revenue bonds (Tapestry Charter School Project) Series 2017B, with principal payment ranging from \$205,000 to \$475,000 plus interest at 5.000%, final payment due August 2023	1,955,000
	<u>33,900,000</u>
Unamortized bond premium - bond issuance price above par value	992,275
Less: Unamortized bond issuance costs	<u>(1,288,305)</u>
Net bonds payable	<u><u>\$33,603,970</u></u>

TAPESTRY CHARTER SCHOOL
Notes to Financial Statements, Continued
June 30, 2018 and 2017

Note 6 – Bonds Payable, Continued

In August 2017, the School entered into a loan agreement with the Buffalo and Erie County Industrial Land Development Corporation (ILDC), principally to finance the cost of building a new school building for grades kindergarten through grade 5 and to re-finance existing bank debt. To finance the project, ILDC authorized the sale of tax-exempt revenue bonds in the aggregate principal amount of \$31,945,000 and taxable revenue bonds in the aggregate principal amount of \$1,955,000 under a trust indenture with a bank as trustee. The sale is secured by a mortgage and security agreement granting a first lien on and security interest in the facility and the other mortgaged property.

Debt issuance costs are amortized as interest expense over the remaining term of the bonds. Amortization of debt issuance costs for the year ended June 30, 2018 was \$60,026.

Aggregate maturities of net long-term bonds payable subsequent to June 30, 2018 are:

	<u>Principal</u>	<u>Unamortized bond premium</u>	<u>Unamortized bond issuance costs</u>
2019	\$ -	\$ 50,436	\$ 65,483
2020	400,000	50,436	65,483
2021	425,000	50,436	65,483
2022	450,000	50,436	65,483
2023	775,000	50,436	65,481
Thereafter	<u>31,850,000</u>	<u>740,095</u>	<u>960,892</u>
	<u>\$33,900,000</u>	<u>\$ 992,275</u>	<u>\$ 1,288,305</u>

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017 are contributions received restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Scholarships	\$ 12,281	\$ 11,395
Other purposes	<u>25,813</u>	<u>26,041</u>
	<u>\$ 38,094</u>	<u>\$ 37,436</u>

TAPESTRY CHARTER SCHOOL
Notes to Financial Statements, Continued
June 30, 2018 and 2017

Note 8 - Public School District Revenue

The School receives public school district funds for regular student enrollment. The rate per student is mandated by the State of New York Education Department. The rate paid by the Buffalo school district was \$13,005 and \$12,505 per student for the years ended June 30, 2018 and 2017, respectively. The School had 880 and 821 enrolled students at June 30, 2018 and 2017, respectively, with the majority of students coming from the Buffalo school district. Total public school district revenue amounted to \$12,160,039 and \$11,315,447 for the years ended June 30, 2018 and 2017, respectively.

Note 9 - Retirement Plan

The School participates in the New York State Teachers' Retirement System (TRS), a cost sharing multiple employer, defined benefit pension plan. TRS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability. TRS is administered by the New York State Teachers' Retirement Board and provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report can be found on the TRS website at www.nystrs.org/main/library/annual-report.htm.

TRS requires employee contributions of 3% of their annual salary for the first 10 years of service for those employees who joined the Plan between July 1976 and December 2009. Participants hired after January 1, 2010 are required to contribute 3.5% of their annual salary throughout their active membership in TRS. No employee contribution is required for those hired prior to July 1976. Pursuant to Article 11 of the Education Law, an actuarially determined contribution rate is established annually by the New York State Teachers' Retirement Board. The rate for the years ended June 30, 2018 and 2017 is 9.80% and 11.72% of the annual covered payroll, respectively. The School's required contribution was \$595,794 and \$656,395 for the years ended June 30, 2018 and 2017, respectively.

Note 10 - Concentration of Credit Risk

The School maintains its cash balances at financial institutions within the Buffalo, New York area, which at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000 per institution. As of June 30, 2018, the maximum loss that would have resulted from that risk totaled \$4,920,894. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

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**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters based on an Audit of
Financial Statements performed in accordance with
*Government Auditing Standards***

To the Board of Directors
Tapestry Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Tapestry Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tapestry 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tapestry Charter 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 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 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 Tapestry Charter 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*.

Purpose of this report

The purpose of this report is solely to describe the scope of 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 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.

Amato, Fox & Company, P.C.

Tonawanda, New York

October 26, 2018