

FINN ACADEMY: AN ELMIRA CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Finn Academy: An Elmira Charter School

We have audited the accompanying balance sheets of Finn Academy: An Elmira Charter School (the School) as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for 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.

Auditors' 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 auditors' 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 the School as of June 30, 2019 and 2018, and the changes in its net assets and 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 7, 2019 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the School's internal control over financial reporting and compliance.

Lynden & McCormick, LLP

October 7, 2019

FINN ACADEMY: AN ELMIRA CHARTER SCHOOL

Balance Sheets

June 30,	2019	2018
Assets		
Current assets:		
Cash	\$ 673,140	\$ 429,621
Grants and other receivables (Note 2)	208,139	397,271
Prepaid expenses and other	81,223	120,162
	<u>962,502</u>	<u>947,054</u>
Property and equipment, net (Note 3)	674,246	461,660
Restricted cash	75,000	75,000
	<u>\$ 1,711,748</u>	<u>\$ 1,483,714</u>
Liabilities and Net Assets		
Current liabilities:		
Short-term borrowings (Note 4)	\$ -	\$ 200,000
Current portion of long-term debt (Note 5)	4,243	-
Accounts payable and accrued expenses	128,132	261,601
Deferred revenue	-	1,650
	<u>132,375</u>	<u>463,251</u>
Long-term debt (Note 5)	7,863	-
Net assets:		
Without donor restrictions	<u>1,571,510</u>	<u>1,020,463</u>
	<u>\$ 1,711,748</u>	<u>\$ 1,483,714</u>

See accompanying notes.

Statements of Activities

For the years ended June 30,	2019	2018
Support and revenue:		
Public school districts:		
Revenue - resident student enrollment	\$ 4,264,154	\$ 3,595,533
Revenue - students with disabilities	240,198	178,564
Revenue - additional state aid	98,366	-
Federal, state, and local grants	300,041	339,488
Interest and other income	59,949	16,202
Total support and revenue	4,962,708	4,129,787
Expenses:		
Program expenses:		
Regular education	2,688,107	2,190,304
Special education	342,991	215,321
Other program	526,238	408,446
Supporting services:		
Management and general	854,325	772,798
Total expenses	4,411,661	3,586,869
Change in net assets	551,047	542,918
Net assets - beginning	1,020,463	477,545
Net assets - ending	\$ 1,571,510	\$ 1,020,463

FINN ACADEMY: AN ELMIRA CHARTER SCHOOL

Statements of Functional Expenses

For the years ended June 30,

	2019					
	Number of Positions	Regular Education	Special Education	Other Program	Management and General	Total
Administrative personnel	9.0	\$ -	\$ -	\$ -	\$ 457,211	\$ 457,211
Instructional personnel	50.0	1,661,655	239,475	-	-	1,901,130
Non-instructional personnel	3.0	-	-	87,512	-	87,512
Total salaries	62.0	\$ 1,661,655	\$ 239,475	\$ 87,512	\$ 457,211	\$ 2,445,853
Salaries		\$ 1,661,655	\$ 239,475	\$ 87,512	\$ 457,211	\$ 2,445,853
Employee benefits and payroll taxes		337,281	48,609	17,764	92,804	496,458
Classroom supplies and materials		111,003	-	-	-	111,003
Copier lease		24,757	-	-	-	24,757
Dues and subscriptions		3,650	-	-	-	3,650
Fieldtrips		12,086	-	-	-	12,086
Food service		-	-	144,399	-	144,399
Insurance		39,121	5,589	2,794	8,383	55,887
Interest		3,442	-	-	-	3,442
Loss due to non-refundable security deposit		-	-	-	23,945	23,945
Occupancy		169,666	24,238	12,119	36,357	242,380
Office expense		2,366	-	-	17,150	19,516
Other expenses		16,100	526	262	29,905	46,793
Printing and promotion		6,627	-	-	-	6,627
Professional fees		-	-	-	139,515	139,515
Recruitment		-	-	-	12,223	12,223
Repairs and maintenance		54,553	7,793	3,897	11,690	77,933
Staff development		31,793	-	-	-	31,793
Student testing and assessment		16,764	-	-	-	16,764
Student activities		-	-	15,078	-	15,078
Technology		71,245	-	-	-	71,245
Telephone		4,983	-	-	-	4,983
Travel and conferences		3,684	-	-	-	3,684
Transportation		-	-	234,032	-	234,032
Utilities		59,627	8,518	4,259	12,777	85,181
		2,630,403	334,748	522,116	841,960	4,329,227
Depreciation		57,704	8,243	4,122	12,365	82,434
Total		\$ 2,688,107	\$ 342,991	\$ 526,238	\$ 854,325	\$ 4,411,661

See accompanying notes.

2018

Number of Positions	Regular Education	Special Education	Other Program	Management and General	Total
9.0	\$ -	\$ -	\$ -	\$ 474,509	\$ 474,509
37.0	1,247,681	140,314	-	-	1,387,995
3.0	-	-	62,475	-	62,475
49.0	\$ 1,247,681	\$ 140,314	\$ 62,475	\$ 474,509	\$ 1,924,979
	\$ 1,247,681	\$ 140,314	\$ 62,475	\$ 474,509	\$ 1,924,979
	264,817	29,781	13,260	100,713	408,571
	99,203	-	-	-	99,203
	11,278	-	-	-	11,278
	7,702	-	-	-	7,702
	3,847	-	-	-	3,847
	-	-	105,035	-	105,035
	49,878	7,125	3,563	10,688	71,254
	-	-	-	-	-
	-	-	-	-	-
	168,000	24,000	12,000	36,000	240,000
	1,789	-	-	16,930	18,719
	8,344	-	-	6,325	14,669
	13,812	-	-	-	13,812
	-	-	-	106,480	106,480
	13,092	-	-	-	13,092
	73,296	-	-	-	73,296
	33,929	-	-	-	33,929
	31,528	-	-	-	31,528
	-	-	7,189	-	7,189
	57,807	-	-	-	57,807
	4,864	-	-	-	4,864
	725	-	-	-	725
	-	-	197,873	-	197,873
	59,859	8,551	4,276	12,827	85,513
	2,151,451	209,771	405,671	764,472	3,531,365
	38,853	5,550	2,775	8,326	55,504
	\$ 2,190,304	\$ 215,321	\$ 408,446	\$ 772,798	\$ 3,586,869

Statements of Cash Flows

For the years ended June 30,	2019	2018
Operating activities:		
Cash received from public school districts	\$ 4,695,898	\$ 3,314,437
Cash received from federal, state, and local grants	394,343	227,943
Cash received from other sources	59,949	16,202
Payments to employees for services and benefits	(2,928,220)	(2,327,419)
Payments to vendors and suppliers	(1,492,095)	(1,310,462)
Interest paid	(3,442)	-
Net operating activities	726,433	(79,299)
Investing activities:		
Property and equipment expenditures	(281,573)	(188,557)
Financing activities:		
Net proceeds from (payments on) short-term borrowings	(200,000)	200,000
Principal payments on note payable	-	(49,736)
Principal payments on long-term debt	(1,341)	-
Net financing activities	(201,341)	150,264
Net change in cash	243,519	(117,592)
Cash - beginning	429,621	547,213
Cash - ending	\$ 673,140	\$ 429,621

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization and Purpose:

Finn Academy: An Elmira Charter School (the School), operates a charter school in the City of Elmira, New York (the City) authorized by the Board of Regents of the University of the State of New York. Pursuant to its charter application, the School began operations in the fiscal year ended June 30, 2016 offering classes from kindergarten through third grade and plans to add one grade per year until eighth grade is reached. The School offered classes from kindergarten through sixth grade in 2019 (kindergarten through fifth grade in 2018). The School has been chartered through June 2020 and continued operations are contingent upon approval of its charter renewal.

Subsequent Events:

The School has evaluated events and transactions for potential recognition or disclosure through October 7, 2019 (the date the financial statements were available to be issued).

Cash:

Cash in financial institutions potentially subjects the School to concentrations of credit risk since it may exceed insured limits at various times throughout the year. The School complies with a requirement to hold no less than \$75,000 in an escrow account to pay legal and audit expenses that would be associated with dissolution should it occur. This is included as restricted cash on the balance sheets as of June 30, 2019 and 2018.

Receivables:

Receivables are stated at the amounts management expects to collect from outstanding balances. Balances outstanding after management has used reasonable collection efforts are written off through a charge to bad debts expense and a credit to accounts receivable.

Property and Equipment:

Property and equipment is stated at cost net of accumulated depreciation. Depreciation is provided over estimated asset service lives using the straight-line method. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

Enrollment Fees:

The School is reimbursed based on the approved operating expense per pupil of the public-school district in which the pupil resides. The amount received each year from the resident district is the product of the approved operating expense per pupil and the full-time equivalent enrollment of the students in the School residing in the district. The School's enrollment fees are received primarily from the City.

In June 2019, all New York State charter schools serving students in the fiscal 2019 school year received additional state aid. The additional aid received by each school was based on the number of students served and was paid directly from the New York State Department of Education. Additional aid totaling \$98,366 is included as enrollment fees revenue on the accompanying statement of activities for the year ended June 30, 2019. No additional state aid was received for the year ended June 30, 2018.

Grants:

The School is the recipient of awards and reimbursements from federal, state and local sources. The awards and reimbursements are subject to compliance and financial audits by the funding source. Management believes no significant adjustments are necessary to recognized amounts.

Income Taxes:

The School is a 501(c)(3) organization exempt from taxation under Section 501(a) of the Internal Revenue Code.

Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Functional Expense Allocation:

The School's costs of providing its various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These costs include salaries and benefits, which are allocated based on estimates of time and effort, and depreciation, occupancy, and utilities which are allocated based on management's estimate of program benefit.

2. Grants and Other Receivables:

	2019	2018
Grants	\$ 75,056	\$ 171,008
Resident student enrollment	183,083	226,263
	<u>258,139</u>	<u>397,271</u>
Less allowance for doubtful collections	50,000	-
	<u>\$ 208,139</u>	<u>\$ 397,271</u>

3. Property and Equipment:

	2019	2018
Building improvements	\$ 541,548	\$ 361,487
Instructional and office equipment	352,527	237,568
	<u>894,075</u>	<u>599,055</u>
Less accumulated depreciation	219,829	137,395
	<u>\$ 674,246</u>	<u>\$ 461,660</u>

4. Short-Term Borrowings:

At June 30, 2019, the School has available a \$150,000 unsecured bank demand line of credit with interest payable at prime plus 1%. The line is subject to the usual terms and conditions applied by the bank for working capital financing and is annually reviewed and renewed. There were no borrowings on the line of credit at June 30, 2019 and 2018.

In June 2018, the School obtained a 5.75% bank promissory note of \$200,000 for capital expenditures. The School repaid all principal amounts in September 2018.

5. Long-Term Debt - Lease Obligations:

In February 2019, the School entered into a capital lease agreement for office equipment totaling \$13,447. Future minimum annual rentals to be paid for the capital lease are:

2020	\$ 4,243
2021	4,593
2022	3,270
	<u>\$ 12,106</u>

6. Pension Plan:

The School participates in a multiple employer 401(k) pension plan covering essentially all employees. The School contributes 4% of employees' salaries to the plan, subject to certain limitations. The School's pension expense was \$66,035 and \$81,981 for the years ended June 30, 2019 and 2018.

7. Operating Lease:

The School leases property under the terms of a non-cancelable operating lease. The School's rent expense was \$242,380 and \$240,000 for the years ended June 30, 2019 and 2018.

Future minimum annual rentals due are \$240,000 in 2020.

8. Cash Flows Information:

Noncash investing and financing activities excluded from the 2019 statement of cash flows include \$13,447 of equipment acquired through a capital lease.

9. Financial Assets Available for Operations:

The School obtains financial assets generally through enrollment fees and grants. The financial assets are acquired throughout the year to help meet the School's cash needs for general expenditures. If necessary, the School also has access to a \$150,000 bank demand line of credit (Note 4).

The School's financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consist of the following at June 30, 2019 and 2018:

	2019	2018
Cash	\$ 673,140	\$ 429,621
Receivables	208,139	397,271
	<u>\$ 881,279</u>	<u>\$ 826,892</u>

INDEPENDENT AUDITORS' 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*

The Board of Trustees
Finn Academy: An Elmira 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 Finn Academy: An Elmira Charter School (the School), which comprise the balance sheet as of June 30, 2019, 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 7, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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 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 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lumden & McCormick, LLP
October 7, 2019