

COMPASS CHARTER SCHOOL

BROOKLYN, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2020

(With Comparative Totals for 2019)

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INDEPENDENT AUDITOR'S REPORT

COMPASS CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

COMPASS CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020
(With Comparative totals for 2019)

	Program Services					Supporting Services			Total	
	No. of Positions	Regular Education	Special Education	Pre-K	Sub-total	Fundraising	Management and General	Sub-total	2020	2019
Personnel services costs:										
Administrative staff personnel	12	\$ 798,330	\$ 96,168	-	\$ 894,498	\$ 61,285	\$ 193,769	\$ 255,054	\$ 1,149,552	\$ 928,300
Instructional personnel	38	1,731,422	1,146,090	148,530	3,026,041	-	-	-	3,026,041	2,886,158
Total salaries and wages	50	2,529,752	1,242,258	148,530	3,920,539	61,285	193,769	255,054	4,175,593	3,814,458
Fringe benefits and payroll taxes		567,916	278,880	27,998	874,794	13,758	43,501	57,259	932,053	794,095
Retirement		25,949	12,742	-	38,691	629	1,987	2,616	41,307	33,942
Accounting/Audit services		-	-	-	-	-	21,800	21,800	21,800	21,200
Other Purchased/Professional/Consulting Services		104,945	51,534	1,380	157,859	2,542	10,564	13,106	170,965	148,073
Repairs and maintenance		3,040	1,493	-	4,533	74	232	306	4,839	5,301
Insurance		19,589	9,619	1,694	30,902	475	1,500	1,975	32,877	30,497
Supplies/Materials		105,673	18,628	36,592	160,893	-	-	-	160,893	251,486
Equipment/Furnishings		949	466	-	1,415	23	73	96	1,511	3,788
Staff development		79,520	16,251	-	95,771	414	1,307	1,721	97,492	115,076
Marketing/Recruitment		16,718	2,454	300	19,472	523	71	594	20,066	44,899
Technology		19,214	9,435	836	29,485	465	1,473	1,938	31,423	31,244
Food service		37,143	4,679	-	41,822	-	-	-	41,822	74,523
Student services		40,383	5,087	-	45,470	-	-	-	45,470	84,361
Office expense		24,472	12,017	3,166	39,656	593	1,873	2,466	42,122	48,765
Depreciation		40,053	19,668	-	59,721	970	3,068	4,038	63,759	71,680
Other		-	-	-	-	-	1,331	1,331	1,331	-
		<u>\$ 3,615,316</u>	<u>\$ 1,685,211</u>	<u>\$ 220,496</u>	<u>\$ 5,521,023</u>	<u>\$ 81,751</u>	<u>\$ 282,549</u>	<u>\$ 364,300</u>	<u>\$ 5,885,323</u>	<u>\$ 5,573,388</u>

COMPASS CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(With Comparative totals for 2019)

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

The Charter School

Compass Charter School (the “Charter School”) is an educational

COMPASS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative totals for 2019)

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

Revenue recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Charter School records revenues both over time and at a point in time as follows:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Revenues earned over time	\$ 5,825,597	\$ 5,497,200
Revenues earned at a point in time	<u>58</u>	<u>87,044</u>
	<u>\$ 5,825,655</u>	<u>\$ 5,584,244</u>

State and local per pupil revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns state and local per pupil revenue based on the approved per pupil tuition rate 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 per pupil tuition rate and the full-time equivalent student enrollment of the School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

Universal Pre-Kindergarten (Pre-K)

Similar to state and local per pupil revenue, the Charter School recognizes Pre-K revenue as educational programming is provided to students throughout the year. The maximum revenue amount is based on a contractually determined fixed amount per student and the number of students enrolled at a point in time. This amount could be further reduced if actual costs incurred in providing the Pre-K program are less than the maximum calculated amount of the contract. Amounts are paid in installments throughout the course of the year, with the final 5% paid upon submission of all required documentation at the end of the contract year.

COMPASS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative totals for 2019)

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

Special events

The Charter School conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event—the exchange component, and a portion represents a contribution to the Charter School. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Charter School. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Charter School, are recorded as fundraising expense in the statement of functional expenses. The performance obligation is delivery of the event. The event fee is set by the Charter School. Special event fees collected by the Charter School in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Charter School follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

The following table summarizes contract balances at their respective statement of financial position dates:

	June 30,		
	2020	2019	2018
Grants and other receivables	\$ 91,280	\$ 18,697	\$ 106,983
Deferred revenue	\$ -	\$ 19,899	\$ -

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Grant revenue

COMPASS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative totals for 2019)

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

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.

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, 2020 and 2019.

Property and equipment

Property and equipment are recorded at cost. Depreciation is c

COMPASS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative totals for 2019)

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

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. Actualm f × eDa

COMPASS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative totals for 2019)

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

Contributions received and contributions made

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. For most resource recipients, this standard is effective for annual reporting periods beginning after December 15, 2018. The Charter School adopted the provisions of ASU 2018-08 applicable to contributions received with a date of initial application of July 1, 2019 under a modified prospective basis. Accordingly, there is no effect on net assets.

Statement of cash flows

In November 2016, the FASB issued new guidance related to the statement of cash flows (ASC 230), which requires entities to include restricted cash in the reconciliation of the beginning-of-year to the end-of-year In the

COMPASS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative totals for 2019)

COMPASS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative totals for 2019)

NOTE E: OPERATING LEASE

In December 2018 the Charter School leased office equipment under a non-cancelable lease agreement expiring January 2022. Lease expense was approximately \$5,000 for the year ended June 30, 2020. The future minimum payments on the agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 5,016
2022	<u>2,508</u>
	<u>\$ 7,524</u>

NOTE F: 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 G: CONCENTRATIONS

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N At June 30, 2020 approximately 66% of grants and other receivables are due from New York State relating to certain grants. At June 30, 2019, no grants and other receivables were due from New York State relating to a

COMPASS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative totals for 2019)

NOTE J: RENEWAL PROCESS

The Charter School is currently in the process of renewing its charter as granted by the New York State Board of Regents. The charter currently expires June 30, 2021. The renewal process includes review by New York State Department of Education (NYSED) of various operational and governance aspects, including fiscal health and internal controls, board governance, and academic performance. Upon review of the renewal application and results, NYSED will determine if the charter should be renewed and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of the Charter School expects the charter to be renewed.

NOTE K: LONG-TERM DEBT

In response to the COVID-19 outbreak, in April 2020 the Charter School applied for and was approved by a bank for a loan of \$815,000 through the Paycheck Protection Program established by the Small Business Administration. The loan has a maturity of 2 years and an interest rate of 1%. The loan has the potential for forgiveness provided certain requirements are met by the Charter School. The loan was funded on May 1, 2020.

Estimated annual maturities of long term debt are as follows:

<u>Year ending June 30.</u>	<u>Amount</u>
2021	\$ 358,514
2022	<u>456,486</u>
	<u>\$ 815,000</u>

NOTE L: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of corona virus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

COMPASS CHARTER SCHOOL

OTHER FINANCIAL INFORMATION

COMPASS CHARTER SCHOOL

SCHEDULE OF REVENUES AND EXPENSES WITHOUT DONOR RESTRICTIONS
BY PROGRAM (PRE-K AND K-5)

YEAR ENDED JUNE 30, 2020

	Pre-K	K-5	Total
Operating revenue and support:			
State and local per pupil operating revenue	\$ -	\$ 5,588,203	\$ 5,588,203
Government grants	179,384	129,445	308,829
Private grants	10,390	59,250	69,640
Fundraising	-	58	58
Other income	715	53,946	

COMPASS CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Compass 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



Annual Financial Statement Audit Report

for Boards of Regents Institutions and Authorized Charter Schools

School Name:	Public Schools District School
Date (Reporting Period as of Nov. 1):	November 1, 2020
Primary District (If NYC DOE select NYC DOE):	
If located in NYC DOE select CSD:	NYCSD #13
School Fiscal Contact Name:	Terri Todd Suter
School Fiscal Contact Email:	
School Fiscal Contact Phone:	
School Audit Firm Name:	Michael & Associates, P.C. LLP
School Audit Contact:	
School Audit Contact Email:	
School Audit Contact Phone:	
Audit Period:	2019-20
Priority Year:	2019-20

The following items are required to be included:

- 1.) The independent auditor's report of financial statements and notes.
- 2.) Excel spreadsheets containing the financial position, fund balances, and other financial data.
- 3.) Reconciliation of internal controls over financial reporting and compliance.

The additional items listed below should be included if applicable. Please explain if the items are not included. Examples might include: a written management letter was not issued or was not completed for a few days in excess of the Single Audit Threshold of \$750,000; the management letter was not submitted by the due date (should be no later than 30 days from the submission of the report); etc.

Item:	Y/N/A
Management Letter:	A written management letter was not issued
Management Letter Response:	N/A
Form 990:	Not yet finalized
Federal Single Audit (A-133):	N/A
Corrective Action Plan:	N/A

	2020	2019
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 1,704,515	\$ 807,32
Grants and contracts receivable	119,956	10,509
Accounts receivables	13,721	29,862
Prepaid Expenses	85,537	70,3
Contributions and other receivables	-	
Other current assets	-	
TOTAL CURRENT ASSETS	1,923,729	918,0
<u>NON-CURRENT ASSETS</u>		
Property, Building and Equipment, net	\$ 172,257	\$ 177,60
Restricted Cash	100,151	75,1
Security Deposits	-	
Other Non-Current Assets	-	
TOTAL NON-CURRENT ASSETS	272,408	252,7
TOTAL ASSETS	2,196,137	1,170,798
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 52,868	\$ 44,2
Accrued payroll, payroll taxes and benefits	441,520	397,9
Current Portion of Loan Payable	358,514	
Due to Related Parties	-	
Refundable Advances	-	
Deferred Revenue	2,150,000	2,150,000

	Unrestricted	Temporarily Restricted	Total	2019 Total
OPERATING REVENUE				
State and Local Per Pupil Revenue - Reg. Ed	\$ 4,779,560	\$ -	\$ 4,779,560	\$ 4,359,050
State and Local Per Pupil Revenue - SPED	751,504	-	751,504	954,180
State and Local Per Pupil Facilities Revenue	-	-	-	-
Federal Grants	105,646	-	105,646	85,600
State and City Grants	64,937	16,000	80,937	169,130
Other Operating Income	-	-	-	-
Food Service/Child Nutrition Program	-	-	-	-
TOTAL OPERATING REVENUE	5,701,647	16,000	5,717,647	5,567,970
EXPENSES				
Program Services				
Regular Education	\$ 3,615,316	\$ -	\$ 3,615,316	\$ 3,410,520
Special Education	1,685,211	-	1,685,211	1,782,930
Other Programs	-	-	-	-
Total Program Services	5,300,527	-	5,300,527	5,193,450
Management and general	282,549	-	282,549	259,380
Fundraising	-	-	-	-
TOTAL EXPENSES	5,583,076	-	5,583,076	5,452,830



	2020	2019
CASH FLOWS - OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 182,182	125,
Revenues from School Districts	-	-
Accounts Receivable	-	-
Due from School Districts	-	-
Depreciation	63,759	71,680
Grants Receivable	(93,306)	101,835
Due from NYS	-	-
Grant revenues	-	-
Prepaid Expenses	(15,151)	7,
Accounts Payable	8,578	13,
Accrued Expenses	-	-
Accrued Liabilities	43,578	79,
Contributions and fund-raising activities	-	-
Miscellaneous sources	-	-
Deferred Revenue	(23,999)	23,
Interest payments	-	-
Other	-	-
Other	-	-
NET CASH PROVIDED FROM OPERATING ACTIVITIES	\$ 165,642	423
CASH FLOWS - INVESTING ACTIVITIES		
Purchase of equipment	\$ (58,415)	(79,
Other	-	-
NET CASH PROVIDED FROM INVESTING ACTIVITIES	\$ (58,415)	(79,;
CASH FLOWS - FINANCING ACTIVITIES		
Principal payments	\$	\$

Principal payments

Compass Charter School
Statement of Functional Expenses
as of June 30

	No. of Positions	2020							2019	
		Program Services				Supporting Services			Total	Total
		Regular Education	Special Education	Other Education	Total	Fundraising	Management and General	Total		
Personnel Services Costs		\$	\$	\$	\$	\$	\$	\$	\$	\$
Administrative Staff Personnel	12.00	798,330	96,168	-	894,498	61,285	193,769	255,054	1,149,552	928,300
Instructional Personnel	38.00	1,731,422	1,146,090	-	2,877,512	-	-	-	2,877,512	2,886,150
Non-Instructional Personnel	-	-	-	-	-	-	-	-	-	-
Total Salaries and Staff	50.00	2,529,752	1,242,258	-	3,772,010	61,285	193,769	255,054	4,027,064	3,814,450
Fringe Benefits & Payroll Taxes		567,916	278,880	-	846,796	13,758	43,501	57,259	904,055	794,090
Retirement		25,949	12,742	-	38,691	629	1,987	2,616	41,307	33,940
Management Company Fees		-	-	-	-	-	-	-	-	-
Legal Service		-	-	-	-	-	-	-	-	-
Accounting / Audit Services		-	-	-	-	-	21,800	21,800	21,800	21,200
Other Purchased / Professional / Consulting Services		104,945	51,534	-	156,479	2,542	10,564	13,106	169,585	148,070
Building and Land Rent / Lease		-	-	-	-	-	-	-	-	-
Repairs & Maintenance		3,040	1,493	-	4,533	74	232	306	4,839	5,300
Insurance		19,589	9,619	-	29,208	475	1,500	1,975	31,183	30,400
Utilities		-	-	-	-	-	-	-	-	-
Supplies / Materials		105,673	18,628	-	124,301	-	-	-	124,301	251,480
Equipment / Furnishings		949	466	-	1,415	23	73	96	1,511	3,700
Staff Development		79,520	16,251	-	95,771	414	1,307	1,721	97,492	115,070
Marketing / Recruitment		16,718	2,454	-	19,172	523	71	594	19,766	44,800
Technology		19,214	9,435	-	28,649	465	1,473	1,938	30,587	31,200
Food Service		37,143	4,679	-	41,822	-	-	-	41,822	74,520
Student Services		40,383	5,087	-	45,470	-	-	-	45,470	84,300
Office Expense		24,472	12,017	-	36,489	593	1,873	2,466	38,955	48,700
Depreciation		40,053	19,668	-	59,721	970	3,068	4,038	63,759	71,600
OTHER		-	-	-	-	-	1,331	1,331	1,331	-
Total Expenses		\$ 3,615,316	\$ 1,685,211	\$ -	\$ 5,300,527	\$ 81,758	\$ 282,548	\$ 364,300	\$ 5,664,827	\$ 5,573,380

New York State Education Department

Request for Proposals for Financials, Audits

Board of Regents

2020-21 Budget & Cash Flow Information

General Instructions

1	Complete all required information.
2	Enter information in the appropriate columns. Do not use the "Other" column for any items.
3	Cells containing "RE" triangles in the "Other" column indicate that a particular item is not permitted.
4	School districts are encouraged to refer to the following website for more information: http://statelibrary.nysed.gov under the "Forms and Publications" section.
5	The "Assumptions" column should be completed. For example, if a school district is self-insured, it should indicate that in the "Assumptions" column. For instance, student enrollment that would be used for the purpose of the program base number in section 1702.10 of the Education Law should be indicated in the "Assumptions" column.







