

# **Manhattan Charter Schools**

Financial Statements

June 30, 2019 and 2018

## **Independent Auditors' Report**

**Board of Trustees**  
**Manhattan Charter Schools**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Manhattan Charter Schools (the "School"), which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

### ***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 its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Change in Accounting Principle***

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, Manhattan Charter Schools adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of activities and functional expenses by school on pages 16 through 18 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 as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 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, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the School's 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.

*PKF O'Connor Davies, LLP*

Harrison, New York  
September 16, 2019

## Manhattan Charter Schools

### Statements of Financial Position

	June 30,	
	2019	2018
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 5,795,070	\$ 5,712,818
Investments	1,349,445	1,317,349
Grants and contracts receivable	160,112	267,625
Prepaid expenses and other current assets	111,727	62,855
Total Current Assets	7,416,354	7,360,647
Property and equipment, net	243,781	311,845
Restricted cash	149,317	148,578
	\$ 7,809,452	\$ 7,821,070
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 259,950	\$ 178,853
Accrued payroll and payroll taxes	857,056	841,580
Refundable advances	4,010	14,903
Total Current Liabilities	1,121,016	1,035,336
Net Assets		
Without Donor Restrictions		
Undesignated	5,372,640	5,442,614
Board designated	1,310,000	1,310,000
Total Net Assets Without Donor Restrictions	6,682,640	6,752,614
With donor restrictions	5,796	33,120
Total Net Assets	6,688,436	6,785,734
	\$ 7,809,452	\$ 7,821,070

See notes to financial statements

## Manhattan Charter Schools

### Statement of Activities Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUE</b>			
State and local per pupil operating revenue			
General education	\$ 6,549,327	\$ -	\$ 6,549,327
Special education	852,530	-	852,530
Federal grants	379,546	-	379,546
State grants	38,928	-	38,928
Total Operating Revenue	7,820,331	-	7,820,331
<b>EXPENSES</b>			
Program Services			
Regular education	5,459,528	-	5,459,528
Special education	1,432,649	-	1,432,649
Extended day	287,395	-	287,395
Total Program Services	7,179,572	-	7,179,572
Supporting Services			
Management and general	783,902	-	783,902
Fundraising	14,599	-	14,599
Total Expenses	7,978,073	-	7,978,073
Deficit from Operations	(157,742)	-	(157,742)
<b>SUPPORT AND OTHER REVENUE</b>			
Contributions	25,800	-	25,800
Investment income, net	34,644	-	34,644
Net assets released from restrictions	27,324	(27,324)	-
Total Support and Other Revenue	87,768	(27,324)	60,444
Change in Net Assets	(69,974)	(27,324)	(97,298)
<b>NET ASSETS</b>			
Beginning of year	6,752,614	33,120	6,785,734
End of year	\$ 6,682,640	\$ 5,796	\$ 6,688,436

## Manhattan Charter Schools

### Statement of Activities Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUE</b>			
State and local per pupil operating revenue			
General education	\$ 6,750,514	\$ -	\$ 6,750,514
Special education	696,641	-	696,641
Federal grants	422,110	-	422,110
State grants	39,545	-	39,545
Total Operating Revenue	7,908,810	-	7,908,810
<b>EXPENSES</b>			
Program Services			
Regular education	5,431,433	-	5,431,433
Special education	1,121,346	-	1,121,346
Extended day	97,236	-	97,236
Total Program Services	6,650,015	-	6,650,015
Supporting Services			
Management and general	855,527	-	855,527
Fundraising	34,021	-	34,021
Total Expenses	7,539,563	-	7,539,563
Surplus from Operations	369,247	-	369,247
<b>SUPPORT AND OTHER REVENUE</b>			
Contributions	26,539	19,500	46,039
Investment income, net	16,987	-	16,987
Net assets released from restrictions	46,880	(46,880)	-
Total Support and Other Revenue	90,406	(27,380)	63,026
Change in Net Assets	459,653	(27,380)	432,273
<b>NET ASSETS</b>			
Beginning of year	6,292,961	60,500	6,353,461
End of year	\$ 6,752,614	\$ 33,120	\$ 6,785,734

**Manhattan Charter Schools**

Statement of Functional Expenses  
Year Ended June 30, 2019

	No. of Positions	Program Services				Supporting Services		
		Regular Education	Special Education	Extended Day	Total	Management and General	Fundraising	Total
Personnel Services Costs								
Administrative staff personnel	11	\$ 396,649	\$ 133,999	\$ -	\$ 530,648	\$ 355,353	\$ 9,669	\$ 895,670
Instructional personnel	56	3,193,124	771,481	21,493	3,986,098	-	-	3,986,098
Non-instructional personnel	3	48,513	12,128	-	60,641	20,214	-	80,855
Total Salaries and Staff	<u>70</u>	<u>3,638,286</u>	<u>917,608</u>	<u>21,493</u>	<u>4,577,387</u>	<u>375,567</u>	<u>9,669</u>	<u>4,962,623</u>
Employee benefits and payroll taxes		773,352	195,659	4,620	973,631	79,807	2,082	1,055,520
Professional and accounting services		46,170	15,055	68	61,293	268,456	32	329,781
Professional development		98,887	31,088	170	130,145	3,514	1,798	135,457
Consultants		389,444	121,932	259,447	770,823	17,646	284	788,753
Leased equipment		16,876	4,385	111	21,372	1,736	51	23,159
Supplies and materials		45,891	14,727	75	60,693	5,684	45	66,422
Curriculum and classroom		132,776	44,909	-	177,685	310	-	177,995
Travel and conferences		13,323	4,464	3	17,790	51	1	17,842
Insurance		46,201	11,499	260	57,960	4,775	116	62,851
Postage and printing		3,986	1,045	27	5,058	410	13	5,481
Technology and communications		79,318	19,971	465	99,754	8,189	210	108,153
Dues and subscriptions		19,319	5,856	84	25,259	1,099	40	26,398
Student and staff recruitment and retention		67,483	21,932	28	89,443	800	11	90,254
Depreciation and amortization		80,874	20,540	490	101,904	8,342	222	110,468
Facility		2,977	777	20	3,774	307	9	4,090
Miscellaneous		4,365	1,202	34	5,601	7,209	16	12,826
Total Expenses		<u>\$ 5,459,528</u>	<u>\$ 1,432,649</u>	<u>\$ 287,395</u>	<u>\$ 7,179,572</u>	<u>\$ 783,902</u>	<u>\$ 14,599</u>	<u>\$ 7,978,073</u>

**Manhattan Charter Schools**

Statement of Functional Expenses  
Year Ended June 30, 2018

	No. of Positions	Program Services				Supporting Services		Total
		Regular Education	Special Education	Extended Day	Total	Management and General	Fundraising	
<b>Personnel Services Costs</b>								
Administrative staff personnel	10	\$ 387,995	\$ 85,204	\$ -	\$ 473,199	\$ 458,267	\$ 18,683	\$ 950,149
Instructional personnel	62	3,105,934	617,055	6,000	3,728,989	-	-	3,728,989
Non-instructional personnel	2	46,834	11,709	-	58,543	19,514	-	78,057
<b>Total Salaries and Staff</b>	<b>74</b>	<b>3,540,763</b>	<b>713,968</b>	<b>6,000</b>	<b>4,260,731</b>	<b>477,781</b>	<b>18,683</b>	<b>4,757,195</b>
Employee benefits and payroll taxes		806,953	163,828	1,322	972,103	109,363	4,288	1,085,754
Professional and accounting services		45,139	10,187	-	55,326	195,115	74	250,515
Professional development		90,894	20,889	66	111,849	13,200	8,903	133,952
Consultants		311,672	73,324	89,202	474,198	9,388	368	483,954
Leased equipment		16,406	3,664	13	20,083	2,365	96	22,544
Supplies and materials		39,425	8,634	30	48,089	6,809	82	54,980
Curriculum and classroom		203,875	46,582	171	250,628	1	-	250,629
Travel and conferences		21,865	5,019	1	26,885	93	4	26,982
Insurance		50,668	10,385	79	61,132	6,910	272	68,314
Postage and printing		4,553	1,021	4	5,578	658	27	6,263
Technology and communications		106,835	21,664	176	128,675	14,468	568	143,711
Dues and subscriptions		26,382	5,547	-	31,929	2,097	88	34,114
Food service		333	70	-	403	-	-	403
Student and staff recruitment and retention		71,691	16,840	44	88,575	1,457	51	90,083
Depreciation and amortization		88,834	18,474	128	107,436	12,000	484	119,920
Facility		5,145	1,250	-	6,395	3,408	33	9,836
Miscellaneous		-	-	-	-	414	-	414
<b>Total Expenses</b>		<b>\$ 5,431,433</b>	<b>\$ 1,121,346</b>	<b>\$ 97,236</b>	<b>\$ 6,650,015</b>	<b>\$ 855,527</b>	<b>\$ 34,021</b>	<b>\$ 7,539,563</b>

## Manhattan Charter Schools

### Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (97,298)	\$ 432,273
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	110,468	119,920
Unrealized (gain) loss on investments	(4,402)	2,038
Changes in operating assets and liabilities		
Grants and contracts receivable	107,513	(20,122)
Prepaid expenses and other current assets	(48,872)	10,521
Accounts payable and accrued expenses	81,097	(7,695)
Accrued payroll and payroll taxes	15,476	(150,040)
Refundable advances	<u>(10,893)</u>	<u>(118,681)</u>
Net Cash from Operating Activities	<u>153,089</u>	<u>268,214</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(42,404)	(98,994)
Purchases of investments	(27,694)	(16,496)
Restricted cash	<u>(739)</u>	<u>(735)</u>
Net Cash from Investing Activities	<u>(70,837)</u>	<u>(116,225)</u>
 Net Change in Cash and Cash Equivalents	 82,252	 151,989
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>5,712,818</u>	<u>5,560,829</u>
 End of year	 <u>\$ 5,795,070</u>	 <u>\$ 5,712,818</u>

## Manhattan Charter Schools

Notes to Financial Statements  
June 30, 2019 and 2018

### 1. Organization and Tax Status

Manhattan Charter Schools is a New York State not-for-profit education corporation operating in New York City pursuant to Article 56 of the Education Law of the State of New York. The accompanying financial statements include the following charter schools, collectively referred to as the "School":

Manhattan Charter School ("MCS") was incorporated on July 21, 2004, and was granted a provisional charter on July 21, 2004 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The Board of Regents approved and issued several renewals to MCS's charter. Effective July 1, 2016, MCS's charter agreement was incorporated into Manhattan Charter School II's ("MCS II") amended and restated charter agreement (see below).

MCS II was incorporated on September 13, 2011 and was granted a provisional charter on September 13, 2011 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The Board of Regents approved and issued a renewal to its amended and restated charter for an additional five-year term expiring July 31, 2022.

The School's mission is to prepare its students to achieve high academic levels in the four core subject areas, communicate effectively in verbal, mathematical and musical languages, and to apply critical thinking processes and ethical standards to learning, living and problem solving. The School provided education to approximately 416 students in kindergarten through fifth grade during the 2018-2019 academic year.

MCS and MCS II merged into a single not-for-profit legal entity under MCS II, which serves as the sole surviving educational corporation. The plan of merger was approved by the State University of New York Charter School Committee on February 25, 2016, and became effective for financial purposes on July 1, 2016. MCS II changed its name to Manhattan Charter Schools and each school is authorized by the Charter Schools Institute of the State University of New York under MCS II's provisional charter, as amended to effect the merger. MCS was dissolved in conjunction with this merger.

The School shares space with New York City public schools. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services other than security related to the School's programs that take place outside the district's school day. The School was unable to determine a value for the contributed space and related services and did not record any value for use of donated facilities or services.

The New York City Department of Education provides free lunches and transportation directly to some of the School's students. Such costs are not included in these financial statements. The School covers a portion of the cost of lunches for children not entitled to the free lunches.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

## Manhattan Charter Schools

Notes to Financial Statements  
June 30, 2019 and 2018

### 2. Summary of Significant Accounting Policies

#### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

#### ***Change in Accounting Principle***

On July 1, 2018, the School adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the School to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the School to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for unrestricted net assets and temporarily restricted net assets were reclassified as net assets without donor restrictions and net assets with donor restrictions, respectively.

Additionally, the new guidance allows for the reporting of investment income net of external and direct internal investment expenses on the statement of activities without additional note disclosure.

#### ***Net Asset Presentation***

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

*Net assets without donor restrictions* - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees. As of June 30, 2019 and 2018, the Board of Trustees has designated \$1,310,000 for long-term educational planning, organizational growth or facilities planning.

*Net assets with donor restrictions* – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

## **Manhattan Charter Schools**

Notes to Financial Statements  
June 30, 2019 and 2018

### **2. Summary of Significant Accounting Policies (*continued*)**

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash balances held in bank accounts and highly liquid debt instruments with maturities of three months or less at the time of purchase.

#### ***Fair Value Measurements***

The School follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

#### ***Investment Valuation***

Money Market Fund is reported using Level 1 inputs from the fair value hierarchy as reported on the last business day of the fiscal year. Certificates of deposit are valued at the amounts deposited plus accrued interest, and are measured at estimated market value.

#### ***Investment Income Recognition***

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of income.

#### ***Restricted Cash***

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

#### ***Property and Equipment***

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case such assets are expensed as incurred.

## Manhattan Charter Schools

Notes to Financial Statements  
June 30, 2019 and 2018

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Property and Equipment (continued)***

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Computers and equipment	3 - 5 years
Furniture and fixtures	7 years
Software	3 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2019 and 2018.

#### ***Refundable Advances***

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

#### ***Revenue and Support***

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

#### ***Functional Expense Allocation***

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

#### ***Accounting for Uncertainty in Income Taxes***

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2016.

## Manhattan Charter Schools

Notes to Financial Statements  
June 30, 2019 and 2018

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 16, 2019.

### 3. Investments

The School's investments at June 30, 2019 and 2018 consist of the following:

	2019		2018	
	Cost	Market	Cost	Market
Certificates of deposit	\$ 1,310,000	\$ 1,319,726	\$ 1,310,000	\$ 1,312,836
Money market fund	29,719	29,719	4,513	4,513
	\$ 1,339,719	\$ 1,349,445	\$ 1,314,513	\$ 1,317,349

Net investment income consist of the following for the years ended June 30, 2018 and 2017:

	2019	2018
Interest	\$ 30,242	\$ 19,025
Unrealized gain (loss) on investments	4,402	(2,038)
	\$ 34,644	\$ 16,987

### 4. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state, and city entitlements and grants. The School expects to collect these receivables within one year.

### 5. Property and Equipment

Property and equipment consists of the following at June 30:

	2019	2018
Computers and equipment	\$ 870,113	\$ 840,430
Furniture and fixtures	223,331	217,034
Leasehold improvements	180,662	174,237
Software	22,025	22,026
	1,296,131	1,253,727
Accumulated depreciation and amortization	(1,052,350)	(941,882)
	\$ 243,781	\$ 311,845

## Manhattan Charter Schools

Notes to Financial Statements  
June 30, 2019 and 2018

### 6. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30, 2019:

Financial Assets at year end:

Cash and cash equivalents	\$ 5,795,070
Investments	1,349,445
Grants and contracts receivable	<u>160,112</u>
Total Financial Assets	<u>7,304,627</u>

Less amounts unavailable for general expenditure:

Net assets with donor restrictions	5,796
Board designated net assets	<u>1,310,000</u>
	<u>1,315,796</u>
	<u>\$ 5,988,831</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is invested in highly liquid securities. The Board of Trustees has designated net assets without donor restrictions that could be drawn upon through board resolution and can be made available for current operations, unbudgeted expenses, and unanticipated loss in funding.

### 7. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 4% of the participant's annual compensation. Employee match for the years ended June 30, 2019 and 2018 amounted to \$108,110 and \$145,203.

### 8. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2019 and 2018, approximately \$5,700,000 and \$5,600,000 of cash was maintained with an institution in excess of FDIC limits.

## Manhattan Charter Schools

Notes to Financial Statements  
June 30, 2019 and 2018

### 9. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2019 and 2018, the School received approximately 94% and 93% of total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

### 10. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for a specified purpose:		
Musical education	\$ 5,796	\$ 29,120
Training of teachers in JUMP Math	<u>-</u>	<u>4,000</u>
	<u>\$ 5,796</u>	<u>\$ 33,120</u>

Net assets for the years ended June 30, 2019 and 2018, were released from donor restrictions by satisfying the purpose specified by donors as follows:

	<u>2019</u>	<u>2018</u>
Musical education	\$ 23,324	\$ 26,880
Training of teachers in JUMP Math	<u>4,000</u>	<u>20,000</u>
	<u>\$ 27,324</u>	<u>\$ 46,880</u>

### 11. Contingency

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

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# **Manhattan Charter Schools**

Supplementary Information

June 30, 2019

**Manhattan Charter Schools**

Schedule of Activities by School

Year Ended June 30, 2019

(with summarized totals for the year ended June 30, 2018)

	Manhattan Charter School				Manhattan Charter School II				Manhattan Charter Schools	
	2019		2018		2019		2018		2019	2018
	Unrestricted	Temporarily Restricted	Total	Total	Unrestricted	Temporarily Restricted	Total	Total	Total	Total
<b>OPERATING REVENUE</b>										
State and local per pupil operating revenue										
General education	\$ 3,734,507	\$ -	\$ 3,734,507	\$ 3,815,809	\$ 2,814,820	\$ -	\$ 2,814,820	\$ 2,934,705	\$ 6,549,327	\$ 6,750,514
Special education	467,269	-	467,269	401,106	385,261	-	385,261	295,535	852,530	696,641
Federal grants	203,785	-	203,785	234,263	175,761	-	175,761	187,847	379,546	422,110
State grants	20,609	-	20,609	21,015	18,319	-	18,319	18,530	38,928	39,545
Total Operating Revenue	<u>4,426,170</u>	<u>-</u>	<u>4,426,170</u>	<u>4,472,193</u>	<u>3,394,161</u>	<u>-</u>	<u>3,394,161</u>	<u>3,436,617</u>	<u>7,820,331</u>	<u>7,908,810</u>
<b>EXPENSES</b>										
Program Services										
Regular education	3,018,954	-	3,018,954	2,911,245	2,440,574	-	2,440,574	2,520,188	5,459,528	5,431,433
Special education	855,513	-	855,513	719,949	577,136	-	577,136	401,397	1,432,649	1,121,346
Extended day	170,719	-	170,719	65,607	116,676	-	116,676	31,629	287,395	97,236
Total Program Services	<u>4,045,186</u>	<u>-</u>	<u>4,045,186</u>	<u>3,696,801</u>	<u>3,134,386</u>	<u>-</u>	<u>3,134,386</u>	<u>2,953,214</u>	<u>7,179,572</u>	<u>6,650,015</u>
Supporting Services										
Management and general	397,704	-	397,704	474,337	386,198	-	386,198	381,190	783,902	855,527
Fundraising	11,418	-	11,418	24,329	3,181	-	3,181	9,692	14,599	34,021
Total Expenses	<u>4,454,308</u>	<u>-</u>	<u>4,454,308</u>	<u>4,195,467</u>	<u>3,523,765</u>	<u>-</u>	<u>3,523,765</u>	<u>3,344,096</u>	<u>7,978,073</u>	<u>7,539,563</u>
Surplus from Operations	<u>(28,138)</u>	<u>-</u>	<u>(28,138)</u>	<u>276,726</u>	<u>(129,604)</u>	<u>-</u>	<u>(129,604)</u>	<u>92,521</u>	<u>(157,742)</u>	<u>369,247</u>
<b>SUPPORT AND OTHER REVENUE</b>										
Contributions	25,800	-	25,800	45,539	-	-	-	500	25,800	46,039
Investment income, net	34,416	-	34,416	16,760	228	-	228	227	34,644	16,987
Net assets released from restrictions	15,917	(15,917)	-	-	11,407	(11,407)	-	-	-	-
Total Support and Other Revenue	<u>76,133</u>	<u>(15,917)</u>	<u>60,216</u>	<u>62,299</u>	<u>11,635</u>	<u>(11,407)</u>	<u>228</u>	<u>727</u>	<u>60,444</u>	<u>63,026</u>
Change in Net Assets	47,995	(15,917)	32,078	339,025	(117,969)	(11,407)	(129,376)	93,248	(97,298)	432,273
<b>NET ASSETS</b>										
Beginning of year	<u>5,189,584</u>	<u>18,560</u>	<u>5,208,144</u>	<u>4,869,119</u>	<u>1,563,030</u>	<u>14,560</u>	<u>1,577,590</u>	<u>1,484,342</u>	<u>6,785,734</u>	<u>6,353,461</u>
End of year	<u>\$ 5,237,579</u>	<u>\$ 2,643</u>	<u>\$ 5,240,222</u>	<u>\$ 5,208,144</u>	<u>\$ 1,445,061</u>	<u>\$ 3,153</u>	<u>\$ 1,448,214</u>	<u>\$ 1,577,590</u>	<u>\$ 6,688,436</u>	<u>\$ 6,785,734</u>

**Manhattan Charter Schools**

Schedule of Functional Expenses - Manhattan Charter School  
Year Ended June 30, 2019  
(with summarized totals for the year ended June 30, 2018)

	2019							2018	
	No. of Positions	Program Services				Supporting Services			Total
		Regular Education	Special Education	Extended Day	Total	Management and General	Fundraising	Total	
<b>Personnel Services Costs</b>									
Administrative staff personnel	5	\$ 183,889	\$ 62,142	\$ -	\$ 246,031	\$ 184,347	\$ 7,252	\$ 437,630	\$ 498,370
Instructional personnel	30	1,744,640	470,010	15,493	2,230,143	-	-	2,230,143	1,997,478
Non-instructional personnel	2	41,313	10,328	-	51,641	17,214	-	68,855	67,057
<b>Total Salaries and Staff</b>	<b>37</b>	<b>1,969,842</b>	<b>542,480</b>	<b>15,493</b>	<b>2,527,815</b>	<b>201,561</b>	<b>7,252</b>	<b>2,736,628</b>	<b>2,562,905</b>
Employee benefits and payroll taxes		430,832	118,648	3,388	552,868	44,084	1,586	598,538	602,332
Professional and accounting services		23,877	7,526	68	31,471	125,414	32	156,917	127,276
Professional development		53,458	17,037	129	70,624	1,981	1,773	74,378	85,640
Consultants		246,452	79,794	150,448	476,694	8,835	205	485,734	334,930
Leased equipment		11,682	3,217	92	14,991	1,195	43	16,229	17,711
Supplies and materials		30,494	9,762	68	40,324	874	42	41,240	28,214
Curriculum and classroom		79,032	26,707	-	105,739	-	-	105,739	138,147
Travel and conferences		8,810	2,955	3	11,768	37	1	11,806	15,737
Insurance		21,978	6,053	173	28,204	2,249	81	30,534	39,445
Postage and printing		2,940	810	23	3,773	301	11	4,085	4,973
Technology and communications		42,273	11,642	332	54,247	4,325	156	58,728	79,333
Dues and subscriptions		10,731	2,955	84	13,770	1,099	40	14,909	19,260
Food service		-	-	-	-	-	-	-	153
Student and staff recruitment and retention		33,442	11,301	-	44,743	1	-	44,744	58,351
Depreciation and amortization		46,611	12,836	367	59,814	4,769	172	64,755	73,516
Facility		2,135	588	17	2,740	219	8	2,967	7,214
Miscellaneous		4,365	1,202	34	5,601	760	16	6,377	330
<b>Total Expenses</b>		<b>\$ 3,018,954</b>	<b>\$ 855,513</b>	<b>\$ 170,719</b>	<b>\$ 4,045,186</b>	<b>\$ 397,704</b>	<b>\$ 11,418</b>	<b>\$ 4,454,308</b>	<b>\$ 4,195,467</b>

**Manhattan Charter Schools**

Schedule of Functional Expenses - Manhattan Charter School II  
Year Ended June 30, 2019  
(with summarized totals for the year ended June 30, 2018)

	2019							2018	
	No. of Positions	Program Services				Supporting Services			Total
		Regular Education	Special Education	Extended Day	Total	Management and General	Fundraising	Total	
Personnel Services Costs									
Administrative staff personnel	6	\$ 212,760	\$ 71,857	\$ -	\$ 284,617	\$ 171,006	\$ 2,417	\$ 458,040	\$ 451,779
Instructional personnel	26	1,448,484	301,471	6,000	1,755,955	-	-	1,755,955	1,731,511
Non-instructional personnel	1	7,200	1,800	-	9,000	3,000	-	12,000	11,000
<b>Total Salaries and Staff</b>	<b>33</b>	<b>1,668,444</b>	<b>375,128</b>	<b>6,000</b>	<b>2,049,572</b>	<b>174,006</b>	<b>2,417</b>	<b>2,225,995</b>	<b>2,194,290</b>
Employee benefits and payroll taxes		342,520	77,011	1,232	420,763	35,723	496	456,982	483,422
Professional and accounting services		22,293	7,529	-	29,822	143,042	-	172,864	123,239
Professional development		45,429	14,051	41	59,521	1,533	25	61,079	48,312
Consultants		142,992	42,138	108,999	294,129	8,811	79	303,019	149,024
Leased equipment		5,194	1,168	19	6,381	541	8	6,930	4,833
Supplies and materials		15,397	4,965	7	20,369	4,810	3	25,182	26,766
Curriculum and classroom		53,744	18,202	-	71,946	310	-	72,256	112,482
Travel and conferences		4,513	1,509	-	6,022	14	-	6,036	11,245
Insurance		24,223	5,446	87	29,756	2,526	35	32,317	28,869
Postage and printing		1,046	235	4	1,285	109	2	1,396	1,290
Technology and communications		37,045	8,329	133	45,507	3,864	54	49,425	64,378
Dues and subscriptions		8,588	2,901	-	11,489	-	-	11,489	14,854
Food service		-	-	-	-	-	-	-	250
Student and staff recruitment and retention		34,041	10,631	28	44,700	799	11	45,510	31,732
Depreciation and amortization		34,263	7,704	123	42,090	3,573	50	45,713	46,404
Facility		842	189	3	1,034	88	1	1,123	2,622
Miscellaneous		-	-	-	-	6,449	-	6,449	84
<b>Total Expenses</b>		<b>\$ 2,440,574</b>	<b>\$ 577,136</b>	<b>\$ 116,676</b>	<b>\$ 3,134,386</b>	<b>\$ 386,198</b>	<b>\$ 3,181</b>	<b>\$ 3,523,765</b>	<b>\$ 3,344,096</b>



**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**

**Independent Auditors' Report**

**Board of Trustees  
Manhattan Charter Schools**

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 Manhattan Charter Schools (the "School"), which comprise the statement of financial position 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 September 16, 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. 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 the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.

*PKF O'Connor Davies, LLP*

Harrison, New York  
September 16, 2019