

Manhattan Charter Schools

Financial Statements

June 30, 2018 and 2017



Independent Auditors' Report

Board of Trustees Manhattan Charter Schools

We have audited the accompanying financial statements of Manhattan Charter Schools (the "School"), 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.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 14 through 16 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.

Report on Comparative Information

We have previously audited the School's 2017 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2018, 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 27, 2018

Manhattan Charter Schools

Statement of Financial Position

June 30, 2018

(with comparative amounts at June 30, 2017)

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,712,818	\$ 5,560,829
Investments	1,317,349	1,302,891
Grants and contracts receivable	267,625	247,503
Prepaid expenses and other current assets	62,855	73,376
Total Current Assets	7,360,647	7,184,599
Property and equipment, net	311,845	332,771
Restricted cash	148,578	147,843
	\$ 7,821,070	\$ 7,665,213
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 178,853	\$ 186,548
Accrued payroll and payroll taxes	841,580	991,620
Refundable advances	14,903	133,584
Total Current Liabilities	1,035,336	1,311,752
Net Assets		
Unrestricted		
Undesignated	5,442,614	5,217,961
Board-designated	1,310,000	1,075,000
Total Unrestricted Net Assets	6,752,614	6,292,961
Temporarily restricted	33,120	60,500
Total Net Assets	6,785,734	6,353,461
	\$ 7,821,070	\$ 7,665,213

Manhattan Charter Schools

Statement of Activities
Year Ended June 30, 2018
(with summarized totals for the year ended June 30, 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
OPERATING REVENUE				
State and local per pupil operating revenue				
General education	\$ 6,750,514	\$ -	\$ 6,750,514	\$ 7,051,693
Special education	696,641	-	696,641	719,320
Federal grants	422,110	-	422,110	302,269
State grants	39,545	-	39,545	41,214
Total Operating Revenue	7,908,810	-	7,908,810	8,114,496
EXPENSES				
Program Services				
Regular education	5,431,433	-	5,431,433	5,424,143
Special education	1,121,346	-	1,121,346	1,019,825
Extended day	97,236	-	97,236	29,907
Total Program Services	6,650,015	-	6,650,015	6,473,875
Supporting Services				
Management and general	855,527	-	855,527	818,037
Fundraising	34,021	-	34,021	28,022
Total Expenses	7,539,563	-	7,539,563	7,319,934
Surplus from Operations	369,247	-	369,247	794,562
SUPPORT AND OTHER REVENUE				
Contributions	26,539	19,500	46,039	91,784
Investment income, net	16,987	-	16,987	11,706
Net assets released from restrictions	46,880	(46,880)	-	-
Total Support and Other Revenue	90,406	(27,380)	63,026	103,490
Change in Net Assets	459,653	(27,380)	432,273	898,052
NET ASSETS				
Beginning of year	6,292,961	60,500	6,353,461	1,042,395
Transfer of net assets pursuant to merger of MCS	-	-	-	4,413,014
End of year	\$ 6,752,614	\$ 33,120	\$ 6,785,734	\$ 6,353,461

Manhattan Charter Schools

Statement of Functional Expenses

Year Ended June 30, 2018

(with summarized totals for the year ended June 30, 2017)

	2018							2017	
	No. of Positions	Program Services				Supporting Services			Total
		General Education	Special Education	Extended Day	Total	Management and General	Fundraising	Total	
Personnel Services Costs									
Administrative staff personnel	10	\$ 387,995	\$ 85,204	\$ -	\$ 473,199	\$ 458,267	\$ 18,683	\$ 950,149	\$ 1,008,492
Instructional personnel	62	3,105,934	617,055	6,000	3,728,989	-	-	3,728,989	3,759,592
Non-instructional personnel	<u>2</u>	<u>46,834</u>	<u>11,709</u>	<u>-</u>	<u>58,543</u>	<u>19,514</u>	<u>-</u>	<u>78,057</u>	<u>74,153</u>
Total Salaries and Staff	74	3,540,763	713,968	6,000	4,260,731	477,781	18,683	4,757,195	4,842,237
Employee benefits and payroll taxes		806,953	163,828	1,322	972,103	109,363	4,288	1,085,754	1,040,431
Professional and accounting services		45,139	10,187	-	55,326	195,115	74	250,515	271,665
Professional development		90,894	20,889	66	111,849	13,200	8,903	133,952	120,286
Consultants		311,672	73,324	89,202	474,198	9,388	368	483,954	303,482
Leased equipment		16,406	3,664	13	20,083	2,365	96	22,544	9,603
Supplies and materials		39,425	8,634	30	48,089	6,809	82	54,980	46,894
Curriculum and classroom		203,875	46,582	171	250,628	1	-	250,629	233,001
Travel and conferences		21,865	5,019	1	26,885	93	4	26,982	33,758
Insurance		50,668	10,385	79	61,132	6,910	272	68,314	64,392
Postage and printing		4,553	1,021	4	5,578	658	27	6,263	4,696
Technology and communications		106,835	21,664	176	128,675	14,468	568	143,711	123,059
Dues and subscriptions		26,382	5,547	-	31,929	2,097	88	34,114	18,527
Food service		333	70	-	403	-	-	403	6,677
Student and staff recruitment and retention		71,691	16,840	44	88,575	1,457	51	90,083	39,174
Depreciation and amortization		88,834	18,474	128	107,436	12,000	484	119,920	146,054
Facility		5,145	1,250	-	6,395	3,408	33	9,836	15,923
Miscellaneous		-	-	-	-	414	-	414	75
Total Expenses		<u>\$ 5,431,433</u>	<u>\$ 1,121,346</u>	<u>\$ 97,236</u>	<u>\$ 6,650,015</u>	<u>\$ 855,527</u>	<u>\$ 34,021</u>	<u>\$ 7,539,563</u>	<u>\$ 7,319,934</u>

Manhattan Charter Schools

Statement of Cash Flows
Year Ended June 30, 2018
(with comparative amounts for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 432,273	\$ 898,052
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	119,920	146,054
Unrealized loss on investments	2,038	1,097
Changes in operating assets and liabilities		
Grants and contracts receivable	(20,122)	(79,402)
Prepaid expenses and other current assets	10,521	22,377
Accounts payable and accrued expenses	(7,695)	34,149
Accrued payroll and payroll taxes	(150,040)	239,803
Refundable advances	(118,681)	125,410
Net Cash from Operating Activities	<u>268,214</u>	<u>1,387,540</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(98,994)	(127,647)
Purchases of investments	(16,496)	(10,291)
Restricted cash	(735)	(729)
Net Cash from Investing Activities	<u>(116,225)</u>	<u>(138,667)</u>
Net Change in Cash and Cash Equivalents	151,989	1,248,873
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>5,560,829</u>	<u>4,311,956</u>
End of year	<u>\$ 5,712,818</u>	<u>\$ 5,560,829</u>

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2018 and 2017

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 454 students in kindergarten through fifth grade during the 2017-2018 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, 2018 and 2017

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.

Net Assets Presentation

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

Unrestricted - consist of resources available for the general support of the School's operations. Unrestricted net assets may be used at the discretion of the School's management and Board of Trustees. The Board of Trustees has designated \$1,310,000 and \$1,075,000 for long-term educational planning, organizational growth or facilities planning as of June 30, 2018 and 2017.

Temporarily Restricted - represent amounts restricted by donors for specific activities of the School or to be used at some future date. The School records contributions as temporarily restricted 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions are met in the same accounting period in which they are received, such amounts are reported as unrestricted net assets.

Permanently Restricted - consist of net assets that are subject to donor imposed restrictions that require the School to maintain them permanently, including funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income and gains earned on endowment fund investments are available to be used in the unrestricted or temporarily restricted net asset classes based upon stipulations by the donors.

The School had no permanently restricted net assets at June 30, 2018 and 2017.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2018 and 2017

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

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

Investments are carried at fair 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.

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.

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, 2018 and 2017

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, 2018 and 2017.

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 temporarily restricted support 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 unrestricted revenue. 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.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2018 and 2017

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

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, 2015.

Prior Year Summarized Comparative Financial Information

The financial statements include prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the School's financial statements as of and for the year ended June 30, 2017, from which the summarized information was derived.

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 27, 2018.

3. Investments

The School's investments at June 30, 2018 and 2017 consist of the following:

	2018		2017	
	Cost	Market	Cost	Market
Certificates of deposit	\$ 1,310,000	\$ 1,312,836	\$ 1,075,000	\$ 1,076,957
Money market	4,513	4,513	225,934	225,934
	<u>\$ 1,314,513</u>	<u>\$ 1,317,349</u>	<u>\$ 1,300,934</u>	<u>\$ 1,302,891</u>

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

	2018	2017
Interest	\$ 19,025	\$ 12,803
Unrealized loss on investments	(2,038)	(1,097)
	<u>\$ 16,987</u>	<u>\$ 11,706</u>

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.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2018 and 2017

5. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Computers and equipment	\$ 840,430	\$ 779,684
Furniture and fixtures	217,034	182,797
Leasehold improvements	174,237	174,237
Software	<u>22,026</u>	<u>18,015</u>
	1,253,727	1,154,733
Accumulated depreciation and amortization	<u>(941,882)</u>	<u>(821,962)</u>
	<u>\$ 311,845</u>	<u>\$ 332,771</u>

6. 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, 2018 and 2017 amounted to \$145,203 and \$126,555.

7. 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, 2018 and 2017, approximately \$5,600,000 and \$5,400,000 of cash was maintained with an institution in excess of FDIC limits.

8. 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, 2018 and 2017, the School received approximately 93% and 95% 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.

Manhattan Charter Schools

Notes to Financial Statements
June 30, 2018 and 2017

9. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Musical education	\$ 29,120	\$ 56,000
Training of teachers in JUMP Math	4,000	4,500
	<u>\$ 33,120</u>	<u>\$ 60,500</u>

Net assets for the years ended June 30, 2018 and 2017, were released from donor restrictions by satisfying the purpose specified by donors as follows:

	<u>2018</u>	<u>2017</u>
Musical education	\$ 26,880	\$ -
Training of teachers in JUMP Math	20,000	10,000
	<u>\$ 46,880</u>	<u>\$ 10,000</u>

10. 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.

Manhattan Charter Schools

Supplementary Information

June 30, 2018

Manhattan Charter Schools

Schedule of Activities by School

Year Ended June 30, 2018

(with summarized totals for the year ended June 30, 2017)

	Manhattan Charter School				Manhattan Charter School II				2018	2017
	2018		2017		2018		2017			
	Unrestricted	Temporarily Restricted	Total	Total	Unrestricted	Temporarily Restricted	Total	Total		
OPERATING REVENUE										
State and local per pupil operating revenue										
General education	\$ 3,815,809	\$ -	\$ 3,815,809	\$ 3,859,277	\$ 2,934,705	\$ -	\$ 2,934,705	\$ 3,192,416	\$ 6,750,514	\$ 7,051,693
Special education	401,106	-	401,106	455,113	295,535	-	295,535	264,207	696,641	719,320
Federal grants	234,263	-	234,263	168,379	187,847	-	187,847	133,890	422,110	302,269
State grants	21,015	-	21,015	21,267	18,530	-	18,530	19,947	39,545	41,214
Total Operating Revenue	<u>4,472,193</u>	<u>-</u>	<u>4,472,193</u>	<u>4,504,036</u>	<u>3,436,617</u>	<u>-</u>	<u>3,436,617</u>	<u>3,610,460</u>	<u>7,908,810</u>	<u>8,114,496</u>
EXPENSES										
Program Services										
Regular education	2,911,245	-	2,911,245	3,074,561	2,520,188	-	2,520,188	2,349,582	5,431,433	5,424,143
Special education	719,949	-	719,949	568,158	401,397	-	401,397	451,667	1,121,346	1,019,825
Extended day	65,607	-	65,607	9,205	31,629	-	31,629	20,702	97,236	29,907
Total Program Services	<u>3,696,801</u>	<u>-</u>	<u>3,696,801</u>	<u>3,651,924</u>	<u>2,953,214</u>	<u>-</u>	<u>2,953,214</u>	<u>2,821,951</u>	<u>6,650,015</u>	<u>6,473,875</u>
Supporting Services										
Management and general	474,337	-	474,337	453,913	381,190	-	381,190	364,124	855,527	818,037
Fundraising	24,329	-	24,329	17,357	9,692	-	9,692	10,665	34,021	28,022
Total Expenses	<u>4,195,467</u>	<u>-</u>	<u>4,195,467</u>	<u>4,123,194</u>	<u>3,344,096</u>	<u>-</u>	<u>3,344,096</u>	<u>3,196,740</u>	<u>7,539,563</u>	<u>7,319,934</u>
Surplus from Operations	<u>276,726</u>	<u>-</u>	<u>276,726</u>	<u>380,842</u>	<u>92,521</u>	<u>-</u>	<u>92,521</u>	<u>413,720</u>	<u>369,247</u>	<u>794,562</u>
SUPPORT AND OTHER REVENUE										
Contributions	26,039	19,500	45,539	63,784	500	-	500	28,000	46,039	91,784
Investment income, net	16,760	-	16,760	11,479	227	-	227	227	16,987	11,706
Net assets released from restrictions	33,440	(33,440)	-	-	13,440	(13,440)	-	-	-	-
Total Support and Other Revenue	<u>76,239</u>	<u>(13,940)</u>	<u>62,299</u>	<u>75,263</u>	<u>14,167</u>	<u>(13,440)</u>	<u>727</u>	<u>28,227</u>	<u>63,026</u>	<u>103,490</u>
Change in Net Assets	352,965	(13,940)	339,025	456,105	106,688	(13,440)	93,248	441,947	432,273	898,052
NET ASSETS										
Beginning of year	<u>4,836,619</u>	<u>32,500</u>	<u>4,869,119</u>	<u>4,413,014</u>	<u>1,456,342</u>	<u>28,000</u>	<u>1,484,342</u>	<u>1,042,395</u>	<u>6,353,461</u>	<u>5,455,409</u>
End 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>

Manhattan Charter Schools

Schedule of Functional Expenses - Manhattan Charter School
Year Ended June 30, 2018
(with summarized totals for the year ended June 30, 2017)

	2018							2017	
	No. of Positions	Program Services				Supporting Services			Total
		General Education	Special Education	Extended Day	Total	Management and General	Fundraising	Total	
Personnel Services Costs									
Administrative staff personnel	5	\$ 176,209	\$ 48,214	\$ -	\$ 224,423	\$ 262,236	\$ 11,711	\$ 498,370	\$ 557,934
Instructional personnel	32	1,611,567	385,911	-	1,997,478	-	-	1,997,478	2,091,401
Non-instructional personnel	<u>1</u>	<u>40,234</u>	<u>10,059</u>	-	<u>50,293</u>	<u>16,764</u>	-	<u>67,057</u>	<u>61,904</u>
Total Salaries and Staff	38	1,828,010	444,184	-	2,272,194	279,000	11,711	2,562,905	2,711,239
Employee benefits and payroll taxes		429,617	104,392	-	534,009	65,571	2,752	602,332	576,631
Professional and accounting services		26,829	6,989	-	33,818	93,384	74	127,276	150,795
Professional development		58,701	15,588	-	74,289	2,949	8,402	85,640	66,731
Consultants		207,884	55,753	65,436	329,073	5,621	236	334,930	252,982
Leased equipment		12,633	3,070	-	15,703	1,927	81	17,711	4,714
Supplies and materials		21,411	5,633	-	27,044	1,123	47	28,214	28,095
Curriculum and classroom		108,333	29,642	171	138,146	1	-	138,147	111,280
Travel and conferences		12,309	3,353	-	15,662	72	3	15,737	19,130
Insurance		28,134	6,836	-	34,970	4,295	180	39,445	27,204
Postage and printing		3,546	862	-	4,408	542	23	4,973	4,096
Technology and communications		56,585	13,749	-	70,334	8,636	363	79,333	67,737
Dues and subscriptions		13,737	3,338	-	17,075	2,097	88	19,260	7,940
Food service		120	33	-	153	-	-	153	2,771
Student and staff recruitment and retention		45,815	12,536	-	58,351	-	-	58,351	21,142
Depreciation and amortization		52,436	12,741	-	65,177	8,003	336	73,516	68,735
Facility		5,145	1,250	-	6,395	786	33	7,214	1,972
Miscellaneous		-	-	-	-	330	-	330	-
Total Expenses		<u>\$ 2,911,245</u>	<u>\$ 719,949</u>	<u>\$ 65,607</u>	<u>\$ 3,696,801</u>	<u>\$ 474,337</u>	<u>\$ 24,329</u>	<u>\$ 4,195,467</u>	<u>\$ 4,123,194</u>

Manhattan Charter Schools

Schedule of Functional Expenses - Manhattan Charter School II
Year Ended June 30, 2018
(with summarized totals for the year ended June 30, 2017)

	2018							2017	
	No. of Positions	Program Services				Supporting Services			Total
		General Education	Special Education	Extended Day	Total	Management and General	Fundraising	Total	
Personnel Services Costs									
Administrative staff personnel	5	\$ 211,786	\$ 36,990	\$ -	\$ 248,776	\$ 196,031	\$ 6,972	\$ 451,779	\$ 450,558
Instructional personnel	30	1,494,367	231,144	6,000	1,731,511	-	-	1,731,511	1,668,191
Non-instructional personnel	1	<u>6,600</u>	<u>1,650</u>	<u>-</u>	<u>8,250</u>	<u>2,750</u>	<u>-</u>	<u>11,000</u>	<u>12,249</u>
Total Salaries and Staff	36	1,712,753	269,784	6,000	1,988,537	198,781	6,972	2,194,290	2,130,998
Employee benefits and payroll taxes		377,336	59,436	1,322	438,094	43,792	1,536	483,422	463,800
Professional and accounting services		18,310	3,198	-	21,508	101,731	-	123,239	120,870
Professional development		32,193	5,301	66	37,560	10,251	501	48,312	53,555
Consultants		103,788	17,571	23,766	145,125	3,767	132	149,024	50,500
Leased equipment		3,773	594	13	4,380	438	15	4,833	4,889
Supplies and materials		18,014	3,001	30	21,045	5,686	35	26,766	18,799
Curriculum and classroom		95,542	16,940	-	112,482	-	-	112,482	121,721
Travel and conferences		9,556	1,666	1	11,223	21	1	11,245	14,628
Insurance		22,534	3,549	79	26,162	2,615	92	28,869	37,188
Postage and printing		1,007	159	4	1,170	116	4	1,290	600
Technology and communications		50,250	7,915	176	58,341	5,832	205	64,378	55,322
Dues and subscriptions		12,645	2,209	-	14,854	-	-	14,854	10,587
Food service		213	37	-	250	-	-	250	3,906
Student and staff recruitment and retention		25,876	4,304	44	30,224	1,457	51	31,732	18,032
Depreciation and amortization		36,398	5,733	128	42,259	3,997	148	46,404	77,319
Facility		-	-	-	-	2,622	-	2,622	13,951
Miscellaneous		-	-	-	-	84	-	84	75
Total Expenses		<u>\$ 2,520,188</u>	<u>\$ 401,397</u>	<u>\$ 31,629</u>	<u>\$ 2,953,214</u>	<u>\$ 381,190</u>	<u>\$ 9,692</u>	<u>\$ 3,344,096</u>	<u>\$ 3,196,740</u>



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, 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 September 27, 2018.

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 27, 2018

Manhattan Charter Schools

Independent Auditors' Report on Communication of
Internal Control Matters

June 30, 2018

**Independent Auditors' Communication on
Internal Control Matters**

**The Board of Trustees
Manhattan Charter Schools**

In planning and performing our audit of the financial statements of Manhattan Charter Schools (the "School") as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

This communication is intended solely for the information and use of management, audit committee, Board of Trustees, The Charter Schools Institute of the State University of New York, The State Education Department of the State University of New York, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by the personnel of the School during the course of our audit.

PKF O'Connor Davies, LLP

Harrison, New York
September 27, 2018

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