

# **Manhattan Charter Schools**

Financial Statements

June 30, 2020 and 2019

## **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, 2020 and 2019, 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, 2020 and 2019, 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.

***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 17 through 19 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 20, 2020, 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 20, 2020

## Manhattan Charter Schools

### Statements of Financial Position

	June 30,	
	2020	2019
<b>ASSETS</b>		
Current Assets		
Cash	\$ 6,032,462	\$ 5,795,070
Investments	1,380,530	1,349,445
Grants and contracts receivable	309,458	160,112
Prepaid expenses and other current assets	172,450	111,727
Total Current Assets	7,894,900	7,416,354
Property and equipment, net	256,786	243,781
Restricted cash	149,965	149,317
	\$ 8,301,651	\$ 7,809,452
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 203,343	\$ 259,950
Accrued payroll and payroll taxes	717,375	857,056
Refundable advances	-	4,010
Total Current Liabilities	920,718	1,121,016
Net Assets		
Without Donor Restrictions		
Undesignated	6,062,780	5,372,640
Board designated	1,315,000	1,310,000
Total Net Assets Without Donor Restrictions	7,377,780	6,682,640
With donor restrictions	3,153	5,796
Total Net Assets	7,380,933	6,688,436
	\$ 8,301,651	\$ 7,809,452

**Manhattan Charter Schools**

Statement of Activities  
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>OPERATING REVENUE</b>			
State and local per pupil operating revenue			
General education	\$ 6,508,796	\$ -	\$ 6,508,796
Special education	832,551	-	832,551
Federal grants	405,918	-	405,918
State grants	<u>33,646</u>	-	<u>33,646</u>
Total Operating Revenue	<u>7,780,911</u>	<u>-</u>	<u>7,780,911</u>
<b>EXPENSES</b>			
Program Services			
Regular education	4,848,929	-	4,848,929
Special education	1,260,839	-	1,260,839
Extended day	<u>212,627</u>	-	<u>212,627</u>
Total Program Services	6,322,395	-	6,322,395
Supporting Services			
Management and general	827,351	-	827,351
Fundraising	<u>13,469</u>	-	<u>13,469</u>
Total Expenses	<u>7,163,215</u>	<u>-</u>	<u>7,163,215</u>
Surplus from Operations	<u>617,696</u>	<u>-</u>	<u>617,696</u>
<b>SUPPORT AND OTHER REVENUE</b>			
Contributions	41,504	-	41,504
Investment income, net	33,297	-	33,297
Net assets released from restrictions	<u>2,643</u>	<u>(2,643)</u>	<u>-</u>
Total Support and Other Revenue	<u>77,444</u>	<u>(2,643)</u>	<u>74,801</u>
Change in Net Assets	695,140	(2,643)	692,497
<b>NET ASSETS</b>			
Beginning of year	<u>6,682,640</u>	<u>5,796</u>	<u>6,688,436</u>
End of year	<u>\$ 7,377,780</u>	<u>\$ 3,153</u>	<u>\$ 7,380,933</u>

## 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	<u>38,928</u>	-	<u>38,928</u>
Total Operating Revenue	<u>7,820,331</u>	<u>-</u>	<u>7,820,331</u>
<b>EXPENSES</b>			
Program Services			
Regular education	5,459,528	-	5,459,528
Special education	1,432,649	-	1,432,649
Extended day	<u>287,395</u>	-	<u>287,395</u>
Total Program Services	7,179,572	-	7,179,572
Supporting Services			
Management and general	783,902	-	783,902
Fundraising	<u>14,599</u>	-	<u>14,599</u>
Total Expenses	<u>7,978,073</u>	<u>-</u>	<u>7,978,073</u>
Deficit from Operations	<u>(157,742)</u>	<u>-</u>	<u>(157,742)</u>
<b>SUPPORT AND OTHER REVENUE</b>			
Contributions	25,800	-	25,800
Investment income, net	34,644	-	34,644
Net assets released from restrictions	<u>27,324</u>	<u>(27,324)</u>	<u>-</u>
Total Support and Other Revenue	<u>87,768</u>	<u>(27,324)</u>	<u>60,444</u>
Change in Net Assets	(69,974)	(27,324)	(97,298)
<b>NET ASSETS</b>			
Beginning of year	<u>6,752,614</u>	<u>33,120</u>	<u>6,785,734</u>
End of year	<u>\$ 6,682,640</u>	<u>\$ 5,796</u>	<u>\$ 6,688,436</u>

**Manhattan Charter Schools**

Statement of Functional Expenses  
Year Ended June 30, 2020

	No. of Positions	Program Services				Supporting Services		Total
		Regular Education	Special Education	Extended Day	Total	Management and General	Fundraising	
Personnel Services Costs								
Administrative staff personnel	10	\$ 412,343	\$ 137,998	\$ -	\$ 550,341	\$ 383,287	\$ 9,863	\$ 943,491
Instructional personnel	51	2,811,596	674,200	18,404	3,504,200	-	-	3,504,200
Non-instructional personnel	2	58,410	14,603	-	73,013	24,338	-	97,351
Total Salaries and Staff	63	3,282,349	826,801	18,404	4,127,554	407,625	9,863	4,545,042
Employee benefits and payroll taxes		705,344	177,963	3,975	887,282	87,522	2,135	976,939
Professional and accounting services		37,571	11,949	58	49,578	276,864	33	326,475
Professional development		104,112	33,155	127	137,394	2,673	387	140,454
Consultants		230,159	67,712	188,647	486,518	19,025	286	505,829
Leased equipment		15,881	4,108	97	20,086	1,946	53	22,085
Supplies and materials		37,886	12,371	27	50,284	634	16	50,934
Curriculum and classroom		125,601	41,884	-	167,485	-	-	167,485
Travel and conferences		8,336	2,762	2	11,100	27	1	11,128
Insurance		46,771	11,629	251	58,651	5,846	132	64,629
Postage and printing		14,321	3,707	88	18,116	1,754	49	19,919
Technology and communications		72,905	18,198	397	91,500	9,095	211	100,806
Dues and subscriptions		20,697	6,295	71	27,063	1,232	41	28,336
Student and staff recruitment and retention		67,971	22,130	22	90,123	723	10	90,856
Depreciation and amortization		73,813	18,771	426	93,010	9,123	231	102,364
Facility		4,034	1,086	27	5,147	484	16	5,647
Miscellaneous		1,178	318	8	1,504	2,778	5	4,287
Total Expenses		\$ 4,848,929	\$ 1,260,839	\$ 212,627	\$ 6,322,395	\$ 827,351	\$ 13,469	\$ 7,163,215

**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

### Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 692,497	\$ (97,298)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	102,364	110,468
Unrealized gain on investments	(4,846)	(4,402)
Changes in operating assets and liabilities		
Grants and contracts receivable	(149,346)	107,513
Prepaid expenses and other current assets	(60,723)	(48,872)
Accounts payable and accrued expenses	(56,607)	81,097
Accrued payroll and payroll taxes	(139,681)	15,476
Refundable advances	(4,010)	(10,893)
Net Cash from Operating Activities	379,648	153,089
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(115,369)	(42,404)
Purchases of investments	(26,239)	(27,694)
Net Cash from Investing Activities	(141,608)	(70,098)
 Net Change in Cash and Restricted Cash	238,040	82,991
 <b>CASH AND RESTRICTED CASH</b>		
Beginning of year	5,944,387	5,861,396
End of year	\$ 6,182,427	\$ 5,944,387
 The following table provides a reconciliation of cash and restricted cash within the statements of financial position:		
Cash	\$ 6,032,462	\$ 5,795,070
Restricted cash	149,965	149,317
	\$ 6,182,427	\$ 5,944,387

## Manhattan Charter Schools

Notes to Financial Statements  
June 30, 2020 and 2019

### 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 399 students in kindergarten through fifth grade during the 2019-2020 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, 2020 and 2019

### **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.

#### ***Adoption of New Accounting Policies***

##### *Recognition of Contributions*

Effective July 1, 2019, the School adopted Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether contributions and grants should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the School recognizes contributions and grants, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

##### *Restricted Cash*

In November 2016, the Financial Accounting Standards Board issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 requires significant changes regarding how restricted cash is classified and presented on the statement of cash flows. On July 1, 2019, the School adopted the new guidance regarding the presentation and classification of restricted cash. The guidance requires the School to 1) include restricted cash and restricted cash equivalents in the cash and cash equivalents balances on the statements of cash flows, 2) provide a reconciliation between the statements of financial position and the statements of cash flows when more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents is presented on the statements of financial position, 3) eliminate the presentation of transfers between restricted cash and cash, and 4) include disclosures about the nature of the restrictions for material balances. Adoption of the ASU resulted in a change in the accounting for restricted cash on the statements of cash flows.

## Manhattan Charter Schools

Notes to Financial Statements  
June 30, 2020 and 2019

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

#### ***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, 2020 and 2019, the Board of Trustees has designated \$1,315,000 and \$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 reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

#### ***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.

## Manhattan Charter Schools

Notes to Financial Statements  
June 30, 2020 and 2019

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

#### ***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.

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, 2020 and 2019.

#### ***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.

## Manhattan Charter Schools

Notes to Financial Statements  
June 30, 2020 and 2019

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

#### ***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, 2017.

#### ***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 20, 2020.

### 3. Investments

The School's investments at June 30, 2020 and 2019 consist of the following:

	2020		2019	
	Cost	Market	Cost	Market
Certificates of deposit	\$ 1,315,000	\$ 1,332,126	\$ 1,310,000	\$ 1,319,726
Money market fund	48,404	48,404	29,719	29,719
	<u>\$ 1,363,404</u>	<u>\$ 1,380,530</u>	<u>\$ 1,339,719</u>	<u>\$ 1,349,445</u>

Net investment income consist of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Interest	\$ 28,451	\$ 30,242
Unrealized gain on investments	4,846	4,402
	<u>\$ 33,297</u>	<u>\$ 34,644</u>

### 4. Grants and Contracts Receivable

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

## Manhattan Charter Schools

Notes to Financial Statements  
June 30, 2020 and 2019

### 5. Property and Equipment

Property and equipment consists of the following at June 30:

	2020	2019
Computers and equipment	\$ 985,482	\$ 870,113
Furniture and fixtures	223,331	223,331
Leasehold improvements	180,662	180,662
Software	22,025	22,025
	<u>1,411,500</u>	<u>1,296,131</u>
Accumulated depreciation and amortization	<u>(1,154,714)</u>	<u>(1,052,350)</u>
	<u>\$ 256,786</u>	<u>\$ 243,781</u>

### 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:

Financial Assets at year end:	2020	2019
Cash	\$ 6,032,462	\$ 5,795,070
Investments	1,380,530	1,349,445
Grants and contracts receivable	309,458	160,112
Total Financial Assets	<u>7,722,450</u>	<u>7,304,627</u>
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	3,153	5,796
Board designated net assets	1,315,000	1,310,000
	<u>1,318,153</u>	<u>1,315,796</u>
	<u>\$ 6,404,297</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.

## Manhattan Charter Schools

Notes to Financial Statements  
June 30, 2020 and 2019

### 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, 2020 and 2019 amounted to \$112,249 and \$108,110.

### 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, 2020 and 2019, approximately \$5,900,000 and \$5,700,000 of cash was maintained with an institution in excess of FDIC limits.

### 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, 2020 and 2019, the School received approximately 94% 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:

	2020	2019
Subject to expenditure for a specified purpose:		
Musical education	\$ 3,153	\$ 5,796

Net assets for the years ended June 30, 2020 and 2019, were released from donor restrictions by satisfying the purpose specified by donors as follows:

	2020	2019
Musical education	\$ 2,643	\$ 23,324
Training of teachers in JUMP Math	-	4,000
	<u>\$ 2,643</u>	<u>\$ 27,324</u>



## **Manhattan Charter Schools**

Notes to Financial Statements  
June 30, 2020 and 2019

### **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.

### **12. Risks and Uncertainties**

The School's operations and financial performance may be affected by the recent COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the School may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in state and local per pupil operating revenue, shortfalls and variations in enrollment, and operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

\*\*\*\*\*

# **Manhattan Charter Schools**

Supplementary Information

June 30, 2020

**Manhattan Charter Schools**

Schedule of Activities by School

Year Ended June 30, 2020

(with summarized totals for the year ended June 30, 2019)

	Manhattan Charter School			Manhattan Charter School II			Manhattan Charter Schools			
	2020		2019	2020		2019	2020	2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Total	Total		
<b>OPERATING REVENUE</b>										
State and local per pupil operating revenue										
General education	\$ 4,053,421	\$ -	\$ 4,053,421	\$ 3,734,507	\$ 2,455,375	\$ -	\$ 2,455,375	\$ 2,814,820	\$ 6,508,796	\$ 6,549,327
Special education	503,084	-	503,084	467,269	329,467	-	329,467	385,261	832,551	852,530
Federal grants	228,965	-	228,965	203,785	176,953	-	176,953	175,761	405,918	379,546
State grants	20,386	-	20,386	20,609	13,260	-	13,260	18,319	33,646	38,928
Total Operating Revenue	<u>4,805,856</u>	<u>-</u>	<u>4,805,856</u>	<u>4,426,170</u>	<u>2,975,055</u>	<u>-</u>	<u>2,975,055</u>	<u>3,394,161</u>	<u>7,780,911</u>	<u>7,820,331</u>
<b>EXPENSES</b>										
Program Services										
Regular education	2,833,138	-	2,833,138	3,018,954	2,015,791	-	2,015,791	2,440,574	4,848,929	5,459,528
Special education	785,767	-	785,767	855,513	475,072	-	475,072	577,136	1,260,839	1,432,649
Extended day	134,737	-	134,737	170,719	77,890	-	77,890	116,676	212,627	287,395
Total Program Services	<u>3,753,642</u>	<u>-</u>	<u>3,753,642</u>	<u>4,045,186</u>	<u>2,568,753</u>	<u>-</u>	<u>2,568,753</u>	<u>3,134,386</u>	<u>6,322,395</u>	<u>7,179,572</u>
Supporting Services										
Management and general	442,774	-	442,774	397,704	384,577	-	384,577	386,198	827,351	783,902
Fundraising	10,202	-	10,202	11,418	3,267	-	3,267	3,181	13,469	14,599
Total Expenses	<u>4,206,618</u>	<u>-</u>	<u>4,206,618</u>	<u>4,454,308</u>	<u>2,956,597</u>	<u>-</u>	<u>2,956,597</u>	<u>3,523,765</u>	<u>7,163,215</u>	<u>7,978,073</u>
Surplus (Deficit) from Operations	<u>599,238</u>	<u>-</u>	<u>599,238</u>	<u>(28,138)</u>	<u>18,458</u>	<u>-</u>	<u>18,458</u>	<u>(129,604)</u>	<u>617,696</u>	<u>(157,742)</u>
<b>SUPPORT AND OTHER REVENUE</b>										
Contributions	41,504	-	41,504	25,800	-	-	-	-	41,504	25,800
Investment income, net	33,090	-	33,090	34,416	207	-	207	228	33,297	34,644
Net assets released from restrictions	2,643	(2,643)	-	-	-	-	-	-	-	-
Total Support and Other Revenue	<u>77,237</u>	<u>(2,643)</u>	<u>74,594</u>	<u>60,216</u>	<u>207</u>	<u>-</u>	<u>207</u>	<u>228</u>	<u>74,801</u>	<u>60,444</u>
Change in Net Assets	676,475	(2,643)	673,832	32,078	18,665	-	18,665	(129,376)	692,497	(97,298)
<b>NET ASSETS</b>										
Beginning 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>
End of year	<u>\$ 5,914,054</u>	<u>\$ -</u>	<u>\$ 5,914,054</u>	<u>\$ 5,240,222</u>	<u>\$ 1,463,726</u>	<u>\$ 3,153</u>	<u>\$ 1,466,879</u>	<u>\$ 1,448,214</u>	<u>\$ 7,380,933</u>	<u>\$ 6,688,436</u>

**Manhattan Charter Schools**

Schedule of Functional Expenses - Manhattan Charter School  
Year Ended June 30, 2020  
(with summarized totals for the year ended June 30, 2019)

	2020							2019		
	No. of Positions	Program Services				Supporting Services			Total	Total
		Regular Education	Special Education	Extended Day	Total	Management and General	Fundraising	Total		
Personnel Services Costs										
Administrative staff personnel	5	\$ 188,540	\$ 62,411	\$ -	\$ 250,951	\$ 199,441	\$ 7,397	\$ 457,789	\$ 437,630	
Instructional personnel	32	1,623,052	428,201	12,904	2,064,157	-	-	2,064,157	2,230,143	
Non-instructional personnel	2	58,410	14,603	-	73,013	24,338	-	97,351	68,855	
Total Salaries and Staff	<u>39</u>	<u>1,870,002</u>	<u>505,215</u>	<u>12,904</u>	<u>2,388,121</u>	<u>223,779</u>	<u>7,397</u>	<u>2,619,297</u>	<u>2,736,628</u>	
Employee benefits and payroll taxes		408,701	110,418	2,820	521,939	48,908	1,617	572,464	598,538	
Professional and accounting services		34,449	10,895	58	45,402	141,153	33	186,588	156,917	
Professional development		56,871	17,935	101	74,907	1,768	373	77,048	74,378	
Consultants		176,840	55,571	117,829	350,240	8,959	193	359,392	485,734	
Leased equipment		11,586	3,130	80	14,796	1,387	46	16,229	16,229	
Supplies and materials		24,014	7,723	26	31,763	445	15	32,223	41,240	
Curriculum and classroom		79,882	26,443	-	106,325	-	-	106,325	105,739	
Travel and conferences		5,806	1,908	2	7,716	27	1	7,744	11,806	
Insurance		23,071	6,233	159	29,463	2,761	91	32,315	30,534	
Postage and printing		10,509	2,839	73	13,421	1,258	42	14,721	4,085	
Technology and communications		37,620	10,164	260	48,044	4,502	149	52,695	58,728	
Dues and subscriptions		10,293	2,781	71	13,145	1,232	41	14,418	14,909	
Student and staff recruitment and retention		32,131	10,636	-	42,767	-	-	42,767	44,744	
Depreciation and amortization		46,250	12,495	319	59,064	5,535	183	64,782	64,755	
Facility		3,935	1,063	27	5,025	471	16	5,512	2,967	
Miscellaneous		1,178	318	8	1,504	589	5	2,098	6,377	
<b>Total Expenses</b>		<u>\$ 2,833,138</u>	<u>\$ 785,767</u>	<u>\$ 134,737</u>	<u>\$ 3,753,642</u>	<u>\$ 442,774</u>	<u>\$ 10,202</u>	<u>\$ 4,206,618</u>	<u>\$ 4,454,308</u>	

**Manhattan Charter Schools**

Schedule of Functional Expenses - Manhattan Charter School II  
 Year Ended June 30, 2020  
 (with summarized totals for the year ended June 30, 2019)

	2020							2019	
	No. of Positions	Program Services			Total	Supporting Services		Total	
		Regular Education	Special Education	Extended Day		Management and General	Fundraising		
Personnel Services Costs									
Administrative staff personnel	5	\$ 223,803	\$ 75,587	\$ -	\$ 299,390	\$ 183,846	\$ 2,466	\$ 485,702	\$ 458,040
Instructional personnel	19	1,188,544	245,999	5,500	1,440,043	-	-	1,440,043	1,755,955
Non-instructional personnel	-	-	-	-	-	-	-	-	12,000
Total Salaries and Staff	<u>24</u>	<u>1,412,347</u>	<u>321,586</u>	<u>5,500</u>	<u>1,739,433</u>	<u>183,846</u>	<u>2,466</u>	<u>1,925,745</u>	<u>2,225,995</u>
Employee benefits and payroll taxes		296,643	67,545	1,155	365,343	38,614	518	404,475	456,982
Professional and accounting services		3,122	1,054	-	4,176	135,711	-	139,887	172,864
Professional development		47,241	15,220	26	62,487	905	14	63,406	61,079
Consultants		53,319	12,141	70,818	136,278	10,066	93	146,437	303,019
Leased equipment		4,295	978	17	5,290	559	7	5,856	6,930
Supplies and materials		13,872	4,648	1	18,521	189	1	18,711	25,182
Curriculum and classroom		45,719	15,441	-	61,160	-	-	61,160	72,256
Travel and conferences		2,530	854	-	3,384	-	-	3,384	6,036
Insurance		23,700	5,396	92	29,188	3,085	41	32,314	32,317
Postage and printing		3,812	868	15	4,695	496	7	5,198	1,396
Technology and communications		35,285	8,034	137	43,456	4,593	62	48,111	49,425
Dues and subscriptions		10,404	3,514	-	13,918	-	-	13,918	11,489
Student and staff recruitment and retention		35,840	11,494	22	47,356	723	10	48,089	45,510
Depreciation and amortization		27,563	6,276	107	33,946	3,588	48	37,582	45,713
Facility		99	23	-	122	13	-	135	1,123
Miscellaneous		-	-	-	-	2,189	-	2,189	6,449
Total Expenses		<u>\$ 2,015,791</u>	<u>\$ 475,072</u>	<u>\$ 77,890</u>	<u>\$ 2,568,753</u>	<u>\$ 384,577</u>	<u>\$ 3,267</u>	<u>\$ 2,956,597</u>	<u>\$ 3,523,765</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, 2020, 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 20, 2020.

**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 20, 2020