

Audited Financial Statements in Accordance
With Government Auditing Standards

June 30, 2016

NEW YORK FRENCH AMERICAN CHARTER SCHOOL

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13 - 14
Schedule of Findings and Responses	15

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
New York French American Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of New York French American Charter School ("the School"), which comprise the statement of financial position as of June 30, 2016, 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 organization'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 organization'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 New York French American Charter School as of June 30, 2016, 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 Summarized Comparative Information

We have previously audited the School's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 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 TBD on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Schall & Ashenfarb
Certified Public Accountants, LLC

October 26, 2016

NEW YORK FRENCH AMERICAN CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2016
(With comparative totals at June 30, 2015)

	<u>6/30/16</u>	<u>6/30/15</u>
Assets		
Cash and cash equivalents	\$277,253	\$298,651
Restricted cash (Note 3)	70,004	70,002
Government grants receivable	211,760	155,621
Prepaid expenses and other receivables	28,334	111,548
Security deposit and other assets	60,263	60,263
Fixed assets, net (Note 5)	<u>571,621</u>	<u>427,429</u>
 Total assets	 <u><u>\$1,219,235</u></u>	 <u><u>\$1,123,514</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$427,284	\$408,477
Advance payable - New York City (Note 4)	9,449	9,156
Rent payable (Note 10)	0	50,000
Deferred rent	<u>146,875</u>	<u>173,930</u>
Total liabilities	<u><u>583,608</u></u>	<u><u>641,563</u></u>
Net assets:		
Unrestricted	619,385	467,975
Temporarily restricted (Note 7)	<u>16,242</u>	<u>13,976</u>
Total net assets	<u><u>635,627</u></u>	<u><u>481,951</u></u>
 Total liabilities and net assets	 <u><u>\$1,219,235</u></u>	 <u><u>\$1,123,514</u></u>

*The attached notes and auditors' report
are an integral part of these financial statements.*

NEW YORK FRENCH AMERICAN CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR-ENDED JUNE 30, 2016
(With comparative totals for the year-ended June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 6/30/16</u>	<u>Total 6/30/15</u>
Public support and revenue:				
Public school district (Note 4):				
Revenue - resident student enrollment - NYC	\$3,456,761		\$3,456,761	\$3,443,231
Revenue - students with special education services - NYC	269,846		269,846	524,713
	<u>3,726,607</u>		<u>3,726,607</u>	<u>3,967,944</u>
Revenue - nonresident student enrollment	47,850		47,850	76,073
Total public school district	<u>3,774,457</u>	0	<u>3,774,457</u>	<u>4,044,017</u>
Government grants	403,489		403,489	173,638
After school program	67,180		67,180	74,123
Contributions	19,563	6,395	25,958	8,830
Donated equipment	21,400		21,400	0
Fundraising income (net of expenses with a direct benefit to donors)	10,654		10,654	2,287
Net assets released from restrictions (Note 7)	4,129	(4,129)	0	0
	<u>4,300,872</u>	<u>2,266</u>	<u>4,303,138</u>	<u>4,302,895</u>
Total public support and revenue				
Expenses:				
Program services:				
Regular education	3,072,566		3,072,566	2,546,293
Special education	715,106		715,106	753,521
Total program services	<u>3,787,672</u>	0	<u>3,787,672</u>	<u>3,299,814</u>
Supporting services:				
Management and general	351,187		351,187	367,163
Fundraising	10,603		10,603	8,667
Total supporting services	<u>361,790</u>	0	<u>361,790</u>	<u>375,830</u>
Total expenses	<u>4,149,462</u>	0	<u>4,149,462</u>	<u>3,675,644</u>
Change in net assets	151,410	2,266	153,676	627,251
Net assets - beginning	<u>467,975</u>	<u>13,976</u>	<u>481,951</u>	<u>(145,300)</u>
Net assets - ending	<u><u>\$619,385</u></u>	<u><u>\$16,242</u></u>	<u><u>\$635,627</u></u>	<u><u>\$481,951</u></u>

*The attached notes and auditors' report
are an integral part of these financial statements.*

NEW YORK FRENCH AMERICAN CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR-ENDED JUNE 30, 2016
(With comparative totals for the year-ended June 30, 2015)

	Program Services			Supporting Services		Total Expenses 6/30/16	Total Expenses 6/30/15
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising		
Salaries	\$1,648,107	\$393,458	\$2,041,565	\$151,362	\$4,452	\$155,814	\$1,924,796
Fringe benefits and payroll taxes	363,534	86,788	450,322	33,387	982	34,369	430,800
Retirement	32,542	7,769	40,311	2,989	88	3,077	8,617
Total personnel costs	2,044,183	488,015	2,532,198	187,738	5,522	193,260	2,364,213
Professional development			0			0	2,900
Legal fees			0	6,957		6,957	27,801
Professional fees - other	61,751	12,845	74,596	48,622	132	48,754	146,964
Marketing and recruitment	6,904	1,648	8,552	634	19	653	12,225
Supplies and materials	80,952	7,356	88,308			0	60,085
Office expenses	6,912	1,650	8,562	14,651	1,005	15,656	26,466
Food services	3,320	302	3,622			0	2,939
Student services	38,701	3,517	42,218		1,702	1,702	10,977
Travel and conferences	2,702	645	3,347	248	7	255	1,680
Insurance	27,401	6,542	33,943	2,517	74	2,591	24,781
Technology	48,542	11,589	60,131	4,458	131	4,589	32,694
Equipment and furnishings	4,074	370	4,444			0	7,345
Repairs and maintenance	150,121	35,839	185,960	13,787	406	14,193	192,408
Building rent	363,829	86,858	450,687	33,414	983	34,397	486,484
Utilities	126,238	30,137	156,375	11,594	341	11,935	180,317
Depreciation	100,659	24,031	124,690	9,243	272	9,515	79,778
Other	6,277	3,762	10,039	17,324	9	17,333	15,587
Total other than personnel costs	1,028,383	227,091	1,255,474	163,449	5,081	168,530	1,311,431
Total expenses	\$3,072,566	\$715,106	\$3,787,672	\$351,187	\$10,603	\$361,790	\$3,675,644

*The attached notes and auditors' report
are an integral part of these financial statements.*

NEW YORK FRENCH AMERICAN CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR-ENDED JUNE 30, 2016
(With comparative totals for the year-ended June 30, 2015)

	6/30/16	6/30/15
Cash flows from operating activities:		
Change in net assets	\$153,676	\$627,251
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	134,205	79,778
Donated equipment	(21,400)	0
Changes in assets and liabilities:		
Restricted cash	(2)	0
Government grants receivable	(56,139)	(106,539)
Grant receivable - New York City	0	7,533
Prepaid expenses and other receivables	83,214	(101,686)
Accounts payable and accrued expenses	18,807	(58,906)
Advance payable - government grants	0	(36,114)
Advance payable - New York City	293	9,156
Rent payable	(50,000)	(65,000)
Deferred rent	(27,055)	(17,392)
Total adjustments	81,923	(289,170)
Net cash provided by operating activities	235,599	338,081
 Cash flows from investing activities:		
Purchase of fixed assets	(256,997)	(94,904)
Net cash used for investing activities	(256,997)	(94,904)
 Net (decrease)/increase in cash and cash equivalents	(21,398)	243,177
 Cash and cash equivalents - beginning	298,651	55,474
 Cash and cash equivalents - ending	\$277,253	\$298,651
 Supplemental disclosures:		
Interest paid	\$0	\$28
Taxes paid	\$0	\$0

*The attached notes and auditors' report
are an integral part of these financial statements.*

NEW YORK FRENCH AMERICAN CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 - Organization and Nature of Activities

New York French American Charter School (“the School”), located in Manhattan, New York, is a not-for-profit education corporation chartered by the Regents of the University of the State of New York. The School provides a full range of educational services appropriate for kindergarten, first, second, third, fourth and fifth grade levels. The School completed the 2015-2016 fiscal year, with an average enrollment of approximately 249 students. The School is a publicly funded, privately managed school, which is independent of the New York City Department of Education (“NYCDOE”).

On September 15, 2009, the School was originally granted a provisional charter by the University of the State of New York, Education Department (“NYSED”) for a term up through and including September 14, 2014. Such a provisional charter may be extended upon application for a term of up to five years in accordance with the provisions of Article 56 of the Education Law. On May 19, 2014, the School was granted an extension for a term up through and including June 30, 2017.

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made. The School has not been designated as a private foundation.

Note 2 - Significant Accounting Policies

a. Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

The School’s net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted* – represent those resources for which there are no restrictions by donors as to their use.
- *Temporarily restricted* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.
- *Permanently restricted* – accounts for activity restricted by donors that must remain intact in perpetuity. The School did not have any permanently restricted net assets at June 30, 2016.

b. Revenue Recognition

Public school district revenue is recognized based on rates established by the School's funding source and the amount realizable on the accrual basis in the period during which services are provided.

The terms of each government grant are reviewed to determine if they contain traits more closely associated with contributions or exchange transactions. Management has determined that all existing government grants are exchange transactions because they contain traits more similar to contracts for service. The difference between grant revenue earned and cash received is reflected as grants receivable or advance payable.

Contributions are recorded as revenue at the earlier of the receipt of cash or when pledges are considered unconditional in nature. Contributions are considered available for unrestricted use, unless specifically restricted by the donor, in which case they are recorded as temporarily restricted.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value using a risk adjusted discounted rate. Conditional contributions are recognized as income when the conditions have been substantially met.

c. Cash and Cash Equivalents

The School considers all liquid instruments with an initial maturity of three months or less to be cash and cash equivalents.

d. Concentration of Credit

Financial instruments, which potentially subject the School to concentration of credit risk, consist of cash and money market accounts, which have been placed with a financial institution that management deems to be creditworthy. At times, balances may exceed federally insured limits. A significant portion of the funds is not insured by the FDIC or related entity, however the School has not experienced any losses from these accounts.

e. Allowance for Uncollectible Receivables

Management has not established a reserve for bad debt because they deem all receivables to be fully collected based on specific identification and analysis. Write-offs will be recorded as an expense in the year they are deemed to be uncollectible.

f. Fixed Assets and Capitalization Policy

Furniture, equipment and leasehold improvements are stated at cost or at fair value on the date of the gift, if donated. The School capitalizes fixed assets in excess of pre-defined amounts that have a useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful life of the respective assets as follows:

Office equipment – 5 years

Computer equipment – 3 years

Furniture and fixtures – 7 years

Leasehold improvements – *Life of lease*

g. Deferred Rent

Rent expense is recorded on the straight-line basis over the life of the lease. Rent expense recognized in excess of cash payments, due to free rent received at the beginning of the lease, is reflected as deferred rent. As future payments exceed the annual expense recognized, deferred rent will be reduced to zero by the end of the lease term.

h. Donated Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided in-kind.

Board members and other individuals volunteer their time and perform a variety of tasks that assist the School. These services do not meet the criteria outlined above and have not been recorded in the financial statements.

i. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

j. Use of Estimates

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

k. Summarized Comparative Information

The financial statements include certain 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

l. Accounting for Uncertainty in Income Taxes

The School does not believe its financial statements include any material, uncertain tax positions. Tax returns for periods ending June 30, 2013 and later are subject to examination by applicable taxing authorities.

m. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the June 30, 2019 year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. The School has not yet evaluated the impact this will have on future statements.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2021 year, requires all leases to be reflected as assets and liabilities on the statement of financial position.

n. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through October 26, 2016, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date, through our evaluation date that would require adjustment to or disclosure in the financial statements.

Note 3 - Restricted Cash

An escrow account has been established to meet the requirement of NYCDOE. The purpose of this account is to ensure sufficient funds are available for an orderly dissolution or transition process in the event of termination of the charter or school closure.

Note 4 - Grant Receivable/Advance Payable – New York City Department of Education

	<u>6/30/16</u>	<u>6/30/15</u>
Beginning (advance payable)/grants receivable	(\$9,156)	\$7,533
Payments recovered/(received)	9,156	(9,277)
Funding based on allowable FTE's	3,726,607	3,967,944
Advances received	<u>(3,736,056)</u>	<u>(3,975,356)</u>
Ending advance payable	<u><u>(\$9,449)</u></u>	<u><u>(\$9,156)</u></u>

Note 5 - Fixed Assets

At year-end, fixed assets consist of the following:

	<u>6/30/16</u>	<u>6/30/15</u>
Leasehold improvements	\$726,616	\$509,352
Furniture and equipment	<u>226,078</u>	<u>164,945</u>
	952,694	674,297
Less: accumulated depreciation	<u>(381,073)</u>	<u>(246,868)</u>
Fixed assets, net	<u><u>\$571,621</u></u>	<u><u>\$427,429</u></u>

Note 6 - Significant Concentrations

The School is dependent upon grants from NYDOE to carry out its operations. Approximately 87% and 92% of the School's total support and revenue was from NYCDOE for the years-ended June 30, 2016 and 2015, respectively.

Note 7- Temporarily Restricted Net Assets

At year-end, temporarily restricted net assets consist of:

	<u>6/30/16</u>	<u>6/30/15</u>
Purchase of smartboards	\$9,868	\$9,868
School leadership	2,700	2,700
Music	3,126	0
Gardening	<u>548</u>	<u>1,408</u>
Total	<u>\$16,242</u>	<u>\$13,976</u>

Net assets released from restrictions are as follows:

	<u>6/30/16</u>	<u>6/30/15</u>
Gardening	\$2,860	\$592
Music	<u>1,269</u>	<u>0</u>
Total	<u>\$4,129</u>	<u>\$592</u>

Note 8 - Line of Credit

The School has a \$50,000 revolving line of credit with a financial institution. At June 30, 2016 and 2015, the entire line was available.

Note 9 - Retirement Plan

The School sponsors a 401(k) profit sharing plan. Employees that were employed on January 1, 2011 or who have completed at least 1,000 hours of work and are employed on the last day of the plan year are eligible to participate. Eligible employees may designate a percentage of their salaries, subject to regulatory limits, to be contributed to the plan on a pre-tax basis. The plan provides for discretionary employer matching contributions on an annual basis for eligible employees. In September 2013, the School reached an agreement with the United Federation of Teachers ("UFT"), and agreed to match up to 4% of eligible employees' salaries to the 401(k), effective November 1, 2013, and up to 5% effective September 1, 2014. Employer contributions were \$43,387 and \$8,617 for the years-ended June 30, 2016 and 2015, respectively.

Note 10 - Commitments and Contingencies

- a. Government contracts are subject to audit by the grantor. Management does not anticipate any material disallowances to result from those audits and has not established any reserves. Any disallowances will be expensed when a liability becomes probable of requiring a payout.
- b. In the normal course of business, the School is involved in proceedings, lawsuits and other claims. These matters are subject to many uncertainties, and outcomes are not predictable with a high degree of assurance. Consequently, the ultimate aggregate amount of monetary liability or financial impact with respect to these matters, as of June 30, 2016, cannot be ascertained. Management believes that the final outcome of these matters will not have a material impact on the financial statements.

- c. Under the agreement referred to earlier with UFT, the School recognizes UFT as the exclusive collective bargaining representative of the school faculty. The agreement, which expired June 30, 2015, was extended through June 30, 2018.
- d. The School has an operating lease for classroom space and administrative offices that expires in June 2020, with an option to extend the lease for five more years. In June 2013, the School entered into an agreement with the landlord to defer \$120,000 of rent payments, which requires repayments of \$5,000 per month beginning June 2014 and ending May 2016. In 2016, the deferred rental payments were paid in full.

Future minimum lease payments are as follows:

Year-ending: June 30, 2017	\$512,139
June 30, 2018	512,139
June 30, 2019	531,465
June 30, 2020	<u>531,465</u>
	<u>\$2,087,208</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***

To the Board of Trustees of
New York French American Charter School

Report on the Financial Statements

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 New York French American Charter School (the "School"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 26, 2016.

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 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.

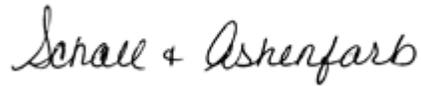
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Schall & Ashenfarb
Certified Public Accountants, LLC

October 26, 2016

**NEW YORK FRENCH AMERICAN CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016**

Current Year:

None

Prior Year:

None