

ALBANY LEADERSHIP
CHARTER HIGH SCHOOL FOR GIRLS

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 15
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	16 - 17

* * * * *

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Albany Leadership Charter High School for Girls
Albany, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of Albany Leadership Charter High School for Girls (a nonprofit organization) (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 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.

Auditor's 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 auditor's 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 School'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 School'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 Albany Leadership Charter High School for Girls 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 26, 2020

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS
Statements of Financial Position
June 30, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and equivalents - unrestricted	\$ 2,676,584	2,856,963
Grants and contracts receivable	359,320	98,430
Accounts receivable	4,005	2,036
Prepaid expenses	69,447	68,851
Total current assets	<u>3,109,356</u>	<u>3,026,280</u>
Property and equipment, at cost	11,029,716	905,834
Less accumulated depreciation	<u>(1,143,314)</u>	<u>(775,563)</u>
Net property and equipment	<u>9,886,402</u>	<u>130,271</u>
Other assets:		
Cash and equivalents - Board designated	75,376	75,316
Funds held by trustee	<u>1,036,473</u>	<u>-</u>
Total other assets	<u>1,111,849</u>	<u>75,316</u>
Total assets	<u>\$ 14,107,607</u>	<u>3,231,867</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	194,413	107,160
Accrued payroll and benefits	470,111	444,600
Current installments of bonds payable	<u>175,000</u>	<u>-</u>
Total current liabilities	<u>839,524</u>	<u>551,760</u>
Long-term liabilities:		
Bonds payable, excluding current installments, net of premium and unamortized debt issuance costs	10,044,874	-
Promissory note - paycheck protection program	<u>654,000</u>	<u>-</u>
Total long-term liabilities	<u>10,698,874</u>	<u>-</u>
Total liabilities	<u>11,538,398</u>	<u>551,760</u>
Net assets without donor restrictions:		
General operating	2,493,833	2,604,791
Board designated	<u>75,376</u>	<u>75,316</u>
Total net assets without donor restrictions	<u>2,569,209</u>	<u>2,680,107</u>
Total liabilities and net assets	<u>\$ 14,107,607</u>	<u>3,231,867</u>

See accompanying notes to financial statements.

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

Statements of Activities

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue:		
Public school districts:		
Resident student enrollment	\$ 4,716,502	5,289,148
Students with disabilities	113,155	124,095
Grants and contracts:		
Federal	159,261	287,359
Food Service/Children Nutrition Program	129,479	188,045
State and local	<u>224,030</u>	<u>24,779</u>
Total revenue	<u>5,342,427</u>	<u>5,913,426</u>
Expenses:		
Program services:		
Regular education	3,805,338	3,866,331
Special education	609,569	529,778
Other programs	<u>163,119</u>	<u>231,660</u>
Total program services	4,578,026	4,627,769
Management and general	<u>909,367</u>	<u>927,428</u>
Total expenses	<u>5,487,393</u>	<u>5,555,197</u>
Income (loss) from school operations	<u>(144,966)</u>	<u>358,229</u>
Support and other revenue:		
Contributions	5,001	9,642
Fundraising, net	4,073	9,451
Miscellaneous income	<u>24,994</u>	<u>25,187</u>
Total support and other revenue	<u>34,068</u>	<u>44,280</u>
Change in net assets without donor restrictions	(110,898)	402,509
Net assets without donor restrictions at beginning of year	<u>2,680,107</u>	<u>2,277,598</u>
Net assets without donor restrictions at end of year	<u>\$ 2,569,209</u>	<u>2,680,107</u>

See accompanying notes to financial statements.

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

Statement of Functional Expenses

Year ended June 30, 2020

with comparative totals for 2019

		Program Services				Supporting Services	Total	
		No. of <u>positions</u>	Regular <u>education</u>	Special <u>education</u>	Other <u>programs</u>	<u>Total</u>	Management and <u>general</u>	<u>2020</u> <u>2019</u>
Personnel services costs:								
Instructional personnel	35	\$ 1,688,503	322,081	-	2,010,584	-	2,010,584	1,981,199
Administrative personnel	11	332,296	74,521	-	406,817	516,563	923,380	881,410
Non-instructional personnel	17	-	-	48,315	48,315	30,123	78,438	96,795
Total salaries and staff	<u>63</u>	2,020,799	396,602	48,315	2,465,716	546,686	3,012,402	2,959,404
Fringe benefits and payroll taxes		406,371	79,754	9,716	495,841	109,935	605,776	645,514
Retirement		46,053	9,038	1,101	56,192	12,458	68,650	64,076
Legal services		11,432	2,244	-	13,676	3,032	16,708	17,147
Accounting and audit services		7,390	1,450	-	8,840	1,960	10,800	10,500
Other purchased, professional and consulting services		110,518	21,690	2,643	134,851	29,898	164,749	227,462
Building and land lease		35,177	532	3,995	39,704	5,523	45,227	701,100
Repairs and maintenance		171,992	2,602	19,533	194,127	27,004	221,131	201,870
Insurance		63,724	964	7,237	71,925	10,005	81,930	74,892
Utilities		29,513	446	3,352	33,311	4,634	37,945	48,788
Supplies and materials		28,452	5,584	-	34,036	-	34,036	42,633
Uniforms		15,562	-	-	15,562	-	15,562	16,291
Equipment and furnishings		828	163	-	991	220	1,211	3,357
Staff development		8,440	1,656	-	10,096	-	10,096	47,065
Marketing and recruitment		29,217	5,734	-	34,951	7,749	42,700	51,407
Technology		60,599	11,893	-	72,492	16,072	88,564	116,070
Food services		-	-	60,070	60,070	-	60,070	84,553
Student services		108,946	-	-	108,946	-	108,946	143,494
Office expense		31,294	6,141	-	37,435	8,298	45,733	46,460
Bad debt expense		1,168	-	-	1,168	-	1,168	1,395
Depreciation		318,515	4,326	-	322,841	44,910	367,751	51,719
Interest expense		299,348	58,750	7,157	365,255	80,983	446,238	-
Total expenses		<u>\$ 3,805,338</u>	<u>609,569</u>	<u>163,119</u>	<u>4,578,026</u>	<u>909,367</u>	<u>5,487,393</u>	<u>5,555,197</u>

See accompanying notes to financial statements.

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

Statement of Functional Expenses

Year ended June 30, 2019

	Program Services					Supporting Services	
	No. of <u>positions</u>	Regular <u>education</u>	Special <u>education</u>	Other <u>programs</u>	<u>Total</u>	Management and <u>general</u>	<u>Total</u>
Personnel services costs:							
Instructional personnel	41	\$ 1,694,456	286,743	-	1,981,199	-	1,981,199
Administrative personnel	19	294,158	72,569	-	366,727	514,683	881,410
Non-instructional personnel	<u>2</u>	<u>-</u>	<u>-</u>	<u>42,850</u>	<u>42,850</u>	<u>53,945</u>	<u>96,795</u>
Total salaries and staff	<u>62</u>	1,988,614	359,312	42,850	2,390,776	568,628	2,959,404
Fringe benefits and payroll taxes		433,762	78,374	9,347	521,483	124,031	645,514
Retirement		43,057	7,780	927	51,764	12,312	64,076
Legal services		11,732	2,120	-	13,852	3,295	17,147
Accounting and audit services		7,185	1,298	-	8,483	2,017	10,500
Other purchased, professional and consulting services		152,846	27,617	3,294	183,757	43,705	227,462
Building and land lease		545,304	8,248	61,931	615,483	85,617	701,100
Repairs and maintenance		157,011	2,375	17,832	177,218	24,652	201,870
Insurance		58,249	881	6,616	65,746	9,146	74,892
Utilities		37,946	574	4,310	42,830	5,958	48,788
Supplies and materials		36,109	6,524	-	42,633	-	42,633
Uniforms		16,291	-	-	16,291	-	16,291
Equipment and furnishings		2,297	415	-	2,712	645	3,357
Staff development		39,862	7,203	-	47,065	-	47,065
Marketing and recruitment		35,175	6,355	-	41,530	9,877	51,407
Technology		79,418	14,350	-	93,768	22,302	116,070
Food services		-	-	84,553	84,553	-	84,553
Student services		143,494	-	-	143,494	-	143,494
Office expense		31,790	5,744	-	37,534	8,926	46,460
Bad debt expense		1,395	-	-	1,395	-	1,395
Depreciation		<u>44,794</u>	<u>608</u>	<u>-</u>	<u>45,402</u>	<u>6,317</u>	<u>51,719</u>
Total expenses		<u>\$ 3,866,331</u>	<u>529,778</u>	<u>231,660</u>	<u>4,627,769</u>	<u>927,428</u>	<u>5,555,197</u>

See accompanying notes to financial statements.

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets without donor restrictions	\$ (110,898)	402,509
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	367,751	51,719
Bad debt expense	1,168	1,395
Amortization of debt issuance costs	10,685	-
Amortization of bond premium	(19,474)	-
Changes in:		
Grants and contracts receivable	(262,058)	366,798
Accounts receivable	(1,969)	(1,706)
Prepaid expenses	(596)	190,335
Accounts payable and accrued expenses	87,253	25,769
Accrued payroll and benefits	<u>25,511</u>	<u>32,023</u>
Net cash provided by operating activities	<u>97,373</u>	<u>1,068,842</u>
Cash flows from investing activities - purchases of property and equipment	<u>(10,123,882)</u>	<u>(1,636)</u>
Cash flows from financing activities:		
Proceeds from bond issuance	10,200,000	-
Bond principal payments	(235,000)	-
Proceeds from promissory note - paycheck protection program	654,000	-
Payments for debt issuance costs	(320,553)	-
Proceeds from premium	<u>584,216</u>	<u>-</u>
Net cash provided by financing activities	<u>10,882,663</u>	<u>-</u>
Net change in cash and equivalents	856,154	1,067,206
Cash and equivalents at beginning of year	<u>2,932,279</u>	<u>1,865,073</u>
Cash and equivalents at end of year	<u>\$ 3,788,433</u>	<u>2,932,279</u>
Supplemental schedule of cash flow information:		
Cash paid during the year for interest	<u>\$ 415,905</u>	<u>-</u>
Classification of cash and equivalents:		
Unrestricted	2,676,584	2,856,963
Board designated	75,376	75,316
Funds held by trustee	<u>1,036,473</u>	<u>-</u>
	<u>\$ 3,788,433</u>	<u>2,932,279</u>

See accompanying notes to financial statements.

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

Notes to Financial Statements

June 30, 2020 and 2019

(1) Organization and Purpose

Albany Leadership Charter High School for Girls' (the School) mission is to prepare young women to graduate from high school with the academic and leadership skills necessary to succeed in college and the career of their choosing.

A provisional charter, valid for five years, was granted to the School by the University of the State of New York pursuant to Article 56 of the Education Law of the State of New York in 2009. In 2018, a five year charter renewal was issued which will enable the School to operate through July 31, 2023. As of June 30, 2020, the School includes grades 9 through 12 and has annualized full-time enrollment of 309 students in four grades.

The School is governed by a Board of Trustees in accordance with the School's by-laws.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(b) Basis of Presentation

The School's financial statements are presented in accordance with the provisions of Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities." As a result, the School reports information regarding its net assets and changes therein in the following categories: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the School's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the School or are required to be held in perpetuity.

(c) 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. Accordingly, actual results could differ from those estimates.

(d) Cash and Equivalents

For purposes of the statements of cash flows, the School considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and equivalents.

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(e) Concentration of Credit Risk

Financial instruments that potentially subject the School to concentration of credit risk consist principally of cash accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

(f) Receivables

The School uses the allowance method to account for uncollectible receivables. Management has determined that no allowance was deemed necessary for the years ended June 30, 2020 and 2019.

(g) Capitalization, Depreciation and Amortization

Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated property and equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities. Generally, property and equipment which has a cost in excess of \$1,000 at the date of acquisition and has an expected useful life of three to thirty years is capitalized.

(h) Public School District Revenue

The School receives per pupil aid passed through from each student's home public school district. The New York State Department of Education mandates the rate per pupil. The regular education per pupil rate from Albany City School District, the district from which the School receives its largest pass through of district revenue, was \$15,861 and \$15,541 for the years ended June 30, 2020 and 2019, respectively.

(i) Deferred Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the statements of financial position as deferred revenue.

(j) Donated Equipment, Materials, Supplies and Personnel Services

Donated equipment, materials and supplies are reflected in the financial statements based on the fair market value at the time of donation.

Donated personnel services meeting the requirements for recognition in the financial statements were not material and have not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the School.

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(k) Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the School. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

(l) Subsequent Events

The School has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the School and its future results and financial position is not presently determinable.

(m) Income Taxes

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), therefore, no provision for income taxes is reflected in the financial statements. The School has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The School presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the School has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the School are subject to examination by taxing authorities.

(n) Recent Accounting Standards Issued

In November 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-18, "Statement of Cash Flows - Restricted Cash." The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. This guidance is effective for fiscal years beginning after December 15, 2018. These financial statements and notes reflect adoption of this new standard.

In June 2018, the FASB issued ASU 2018-08, "Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made." ASU 2018-08 provides clarification for determining if grants and contracts should be considered contributions or exchange transactions, as well as guidance for determining if a contribution is conditional. This guidance is effective for fiscal years beginning after December 15, 2018. These financial statements and notes reflect adoption of this new standard.

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(o) Reclassifications

Reclassifications have been made to certain 2019 balances in order to conform them to the 2020 presentation.

(3) Liquidity

The School has \$3,039,909 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$2,676,584 of cash and equivalents and \$363,325 of receivables. None of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the 2020 statement of financial position date. As more fully described in note 6, the School has an escrow account with a balance of \$75,376 which it can utilize in the event of an unanticipated liquidity need as well as several reserve accounts held by a trustee with a balance of \$1,036,473 which were set up in accordance with provisions of their bond agreement.

(4) Grants, Contracts and Accounts Receivable

Grants, contracts and accounts receivable as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
School district tuition	\$ 227,616	71,257
U.S. Department of Agriculture	4,145	10,604
U.S. Department of Education	<u>127,559</u>	<u>16,569</u>
	359,320	98,430
Other receivables	<u>4,005</u>	<u>2,036</u>
	\$ <u>363,325</u>	<u>100,466</u>

(5) Property and Equipment

Property and equipment are recorded at cost. Property and equipment as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Building	\$ 10,000,000	-
Improvements	420,869	377,945
Equipment	394,818	313,860
Furniture and fixtures	<u>214,029</u>	<u>214,029</u>
	11,029,716	905,834
Less: accumulated depreciation	<u>(1,143,314)</u>	<u>(775,563)</u>
Net property and equipment	\$ <u>9,886,402</u>	<u>130,271</u>

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

Notes to Financial Statements, Continued

(5) Property and Equipment, Continued

In July 2019, the School purchased the facility in which it operates for \$10,000,000, ending their operating lease. Accordingly, all prior leasehold improvements have been reclassified to improvements.

(6) Other Assets

(a) Escrow Account

As set forth in its charter, the School established an escrow account in the amount of \$75,000 to be used upon school closure as designated by the Board of Trustees. The balance in the escrow account was \$75,376 and \$75,316 as of June 30, 2020 and 2019, respectively. The balance in the escrow account is classified as board designated net assets on the statements of financial position.

(b) Funds Held by Trustee

In conjunction with the bonds payable (note 7), the School established various reserve accounts. The purpose and balances of these accounts as of June 30, 2020 are as follows:

Bond Fund - The School established a Bond Fund in which a reserve was established to account for future debt service requirements. The balance in the Bond Fund was \$220,029 as of June 30, 2020.

Reserve Fund - The School established a Reserve Fund in which the School is required to maintain an amount sufficient to pay the annual debt service payments. The balance in the Reserve Fund was \$658,246 as of June 30, 2020.

Repair and Replacement Fund - The School established a Repair and Replacement Reserve Fund in which the School is required to deposit and maintain an amount equal to at least \$150,000. The balance in the Repair and Replacement Reserve Fund was \$150,001 as of June 30, 2020.

Project Fund - The School established a Project Fund in order to deposit proceeds from the sale of the bonds and disburse them in accordance with the bond agreement. The balance in the Project Fund was \$8,197 as of June 30, 2020.

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

Notes to Financial Statements, Continued

(7) Bonds Payable

Bonds payable at June 30, 2020 are summarized as follows:

Bonds payable - repayment due in annual installments commencing June 1, 2020 through June 1, 2049 with interest ranging from 4.00% - 5.00% per annum. The bonds are collateralized by property located at 19 Hackett Boulevard, Albany, New York.	\$ 9,965,000
Less current installments	<u>(175,000)</u>
Bonds payable, excluding current installments	9,790,000
Plus, net unamortized debt issuance costs and bond premium	<u>254,874</u>
Bonds payable excluding current installments, debt issuance costs and bond premium	\$ <u>10,044,874</u>

The aggregate maturities for bonds payable for the five years following June 30, 2020 and thereafter is as follows:

2021	\$ 175,000
2022	180,000
2023	185,000
2024	195,000
2025	205,000
Thereafter	<u>9,025,000</u>
	\$ <u>9,965,000</u>

(8) Promissory Note - Paycheck Protection Program

On May 1, 2020, the School received a Small Business Administration (SBA) loan under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in the amount of \$654,000 with a 1% interest rate.

The School must pay monthly principal and interest payments on the outstanding principal balance of the loan amortized over the term of the loan, unless otherwise forgiven in whole or part in accordance with the CARES Act as described below, beginning six months from the month this note is dated until May 1, 2022 (the maturity date) when the entire principal balance remaining unpaid, along with all accrued and unpaid interest, shall be due and payable in full. Payments of principal and interest must be made on such date as designated by the lender in the months they are due.

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

Notes to Financial Statements, Continued

(8) Promissory Note - Paycheck Protection Program, Continued

Pursuant to the terms of the CARES Act and any implementing rules and regulations, the School may apply for the loan to be forgiven by the SBA in whole or in part. Any loan balance remaining following forgiveness by the SBA will be fully reamortized over the remaining term of the loan. The entire principal balance remaining unpaid, along with all accrued and unpaid interest, shall be due and payable on the maturity date. If there is a default without notice or demand and without giving up any of its rights, lender may require immediate payment of all amounts owing under this note; collect all amounts owing from any borrower; or file suit and obtain judgment.

(9) Lease Obligation

The School has an agreement for janitorial services with A.K. Cleaning Services through June 30, 2024. Total expenses for cleaning services under this contract amounted to \$140,400 and \$140,600 for the years ended June 30, 2020 and 2019, respectively. Future minimum payments under the agreement are as follows:

2021	\$ 140,400
2022	144,000
2023	147,600
2024	<u>153,600</u>
	\$ <u>585,600</u>

(10) Retirement Plan

The School adopted a retirement plan under IRC 401(k) covering all eligible employees. Under the plan, employees are eligible to receive employer matching contributions after one year of service. The School provides a matching contribution to each eligible employee's plan at a rate determined annually by the Board of Trustees. Matching contribution rate are 2%, 4% or 6% depending on the employee's years of service. The School's retirement plan expense for the years ended June 30, 2020 and 2019 was \$68,650 and \$64,076, respectively.

(11) Concentration of Risk

The School receives a substantial portion of its funding from school districts where students reside. Three school districts comprised approximately 84% and 85% of total revenue and support for the years ended June 30, 2020 and 2019, respectively.

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS
Notes to Financial Statements, Continued

(12) Contingency

The School has received grants which are subject to audit by agencies of the state and Federal government. Such audits may result in disallowances and a request for a return of funds. Based on prior experience, the School's administration believes that disallowances, if any, will be immaterial.

(13) Functional Expenses

The School prepares young women to graduate high school with the academic and leadership skills necessary to succeed in college and the career of their choosing. All expenses related to providing these services have been allocated to program services with the exception of certain administrative expenses. Salaries and benefits are allocated among program and support based on time and effort. Office and other expenses are allocated based on direct usage.

**INDEPENDENT AUDITORS' 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**

The Board of Trustees
Albany Leadership Charter High School for Girls
Albany, New York:

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 Albany Leadership Charter High School for Girls (a nonprofit organization) (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 financial statements, and have issued our report thereon dated October 26, 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 School'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.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 26, 2020

REPORT TO THE BOARD

October 26, 2020

The Board of Trustees
Albany Leadership Charter High School for Girls

Dear Board Members:

We have audited the financial statements of Albany Leadership Charter High School for Girls (the School) for the year ended June 30, 2020, and have issued our report thereon dated October 26, 2020. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in note 2 to the financial statements. For the year ended June 30, 2020, the School adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-18, "Statement of Cash Flows - Restricted Cash." ASU 2016-18 requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The School also adopted FASB ASU 2018-08, "Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made." ASU 2018-08 provides clarification for determining if grants and contracts should be considered contributions or exchange transactions, as well as guidance for determining if a contribution is conditional. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

For the year ended June 30, 2020, we evaluated the key factors and assumptions used by management in determining that accounting estimates were reasonable in relation to the financial statements taken as a whole.

Sensitive Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit. Management and accounting personnel were very helpful in assisting us during our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed and management accepted five adjusting journal entries in the amount of \$103,742.

Disagreements with Management

For purposes of this report, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the School’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Recent Accounting Standards Issued

In February 2016, the FASB issued ASU 2016-02 - “Leases (Topic 842).” ASU 2016-02 modifies the current presentation of operating leases. Currently, operating leases are not recorded on the statements of financial position as obligations, rather there is a footnote disclosure that includes the expected future lease payments for operating leases. This update will now require organizations that lease assets to recognize assets and liabilities on their statements of financial position for operating leases with lease terms of more than 12 months. Operating leases will be required to recognize a right-of-use asset and a lease liability, measured at the present value of the lease payment, recognize a single lease cost, generally allocating the lease over a straight-line basis and classify all cash payments within operating activities of cash flows. These changes will require expanded footnote disclosure to enhance the financial statement user’s understanding of the amount, timing and uncertainty of cash flows arising from leases. The guidance is effective for fiscal years beginning after December 15, 2021, which is the fiscal year beginning July 1, 2022 for the School.

* * * * *

This information is intended solely for the use of the Board of Trustees and management of Albany Leadership Charter High School for Girls and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

EFPR Group, CPAs, PLLC

EFPR GROUP, CPAs, PLLC