



FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

HENRY JOHNSON CHARTER SCHOOL

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CUSACK & COMPANY
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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 Henry Johnson Charter 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 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 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.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 19, 2020

HENRY JOHNSON CHARTER SCHOOL
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash	\$ 2,652,348	\$ 2,639,353
Grants and Contracts Receivable	498,816	180,049
Prepaid Expenses	<u>11,336</u>	<u>10,737</u>
Total Current Assets	<u>3,162,500</u>	<u>2,830,139</u>
Other Assets		
Property and Equipment - Net	6,598,995	6,776,471
Cash - Board Designated	<u>275,680</u>	<u>275,352</u>
Total Other Assets	<u>6,874,675</u>	<u>7,051,823</u>
Total Assets	<u><u>\$ 10,037,175</u></u>	<u><u>\$ 9,881,962</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Current Portion of Long-Term Debt	\$ 112,073	\$ 105,211
Accounts Payable and Accrued Expenses	63,964	71,282
Accrued Payroll and Benefits	316,699	319,873
Compensated Absences	<u>53,685</u>	<u>44,029</u>
Total Current Liabilities	546,421	540,395
Long-Term Liabilities		
Long-Term Debt, Net of Current Portion	<u>5,309,528</u>	<u>5,418,333</u>
Total Liabilities	<u>5,855,949</u>	<u>5,958,728</u>
Net Assets		
Without Donor Restrictions		
Undesignated	3,905,546	3,647,882
Board Designated	<u>275,680</u>	<u>275,352</u>
Total Net Assets	<u>4,181,226</u>	<u>3,923,234</u>
Total Liabilities and Net Assets	<u><u>\$ 10,037,175</u></u>	<u><u>\$ 9,881,962</u></u>

HENRY JOHNSON CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	_____
Cash Flows Provided by (Used in) Operating Activities		
Change in Net Assets	\$ 257,992	
Adjustments to Reconcile Change in Net Assets		
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
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HENRY JOHNSON CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019 (Page 7.98)

Administrative Personnel					
Instructional Personnel					
Non-Instructional Personnel					
Total Salaries					
Fringe Benefits and Payroll Taxes					
Retirement					
Legal Services					
Accounting and Audit Services					
Other Purchased, Professional and Consulting Services					
Repairs and Maintenance					
Insurance					
Utilities					
Supplies and Materials					
Staff Development					
Marketing and Recruitment					
Technology					
Food Service					
Student Services					
Office Expense					
Depreciation					
Interest Expense					
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HENRY JOHNSON CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

1. ORGANIZATION AND PURPOSE

Organization

Henry Johnson Charter School (the “School”) is a New York not-for-profit organization that works to ensure all students reach the highest levels of scholastic achievement in an environment that instills character, virtue and “habits of mind” that ensure success both within and outside the classroom: diligence, courage, respect, self-reliance, duty and responsibility.

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. The School began providing educational services in the fall of 2007 for K-1 grades. The provisional charter allowed for an additional grade to be added in each subsequent year until the School reached grades K-4. The School’s charter renewal has been granted through June 30, 2025. As of June 30, 2020, the School had an enrollment of 349 students in K to 4th grades.

The School is governed by a Board of Trustees in accordance with the School’s by-laws. The School partners with Albany Charter School Network which provides academic and operational assistance to area charter schools.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies and Financial Statement Presentation

The following summarizes the significant accounting policies consistently applied in the preparation of the School’s financial statements, with references to the Financial Accounting

HENRY JOHNSON CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

The School received donated services from unpaid volunteers who assisted in fund raising, office administration and program activities. For the services donated, the criteria for recognition in these financial statements of such volunteer effort was not met and, therefore, no revenue and expense has revenue has inrx and, l (em3erevw(of).43 (has)-47 8)27voluhas 9.96 315.2

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

ASU No. 2014-09

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606): as modified by ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, and ASU 2016-20, Technical Corrections and Improvements to Topic 606: Revenue from Contracts with Customers. The revenue recognition principle in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, new and enhanced disclosures are required. The School may adopt the new standard either using the full retrospective approach, a modified retrospective approach with practical expedients, or a cumulative effect upon the adoption approach. The School adopted the new standard using the modified retrospective approach. The adoption of ASU 2014-09 did not have a material impact on the School's financial statements and related disclosures.

ASU No. 2018-08

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU primarily affects all not-for-profit organizations because contributions are a significant source of revenue for these entities. However, the amendments in this update apply to all entities, including business entities, that receive or make contributions of cash and other assets, including promises to give within the scope of Subtopic 958-605 and contributions made within the scope of Subtopic 720-25, Other Expenses - Contributions Made. The School adopted this ASU in 2019. The accounting change has been applied on a modified prospective basis. Under a modified prospective basis, agreements not completed as of the ASU effective date as well as agreements entered into after the ASU effective date apply.

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HENRY JOHNSON CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2020 AND 2019

6. LONG-TERM DEBT

Long-term debt is comprised of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Mortgage loan payable to Local Initiatives Support Corporation, in monthly payments of \$36,659, including interest at 6%, maturing in September, 2043, collateralized by the building.	\$ 5,509,485	\$ 5,615,249
Less: unamortized debt issuance costs, net	(87,884)	(91,705)
Less: current portion	<u>(112,073)</u>	<u>(105,211)</u>
Long-term debt, net of current portion and unamortized debt issuance costs	<u><u>\$ 5,309,528</u></u>	<u><u>\$ 5,418,333</u></u>

The School is required to maintain debt covenants by the lender of the mortgage. As of June 30, 2019 (most recent information available), the School was not in compliance with all applicable covenants. The bank has issued a waiver of this requirement for the year ended June 30, 2019.

Unamortized debt issuance costs as of June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Transaction and Financing Costs - Twenty-Eight Year Amortization	\$ 108,900	\$ 108,900
Less: Accumulated Amortization	<u>(21,016)</u>	<u>(17,195)</u>
Unamortized Debt Issuance Costs, Net	<u><u>\$ 87,884</u></u>	<u><u>\$ 91,705</u></u>

Estimated debt maturities at June 30 over the next five (5) years and thereafter are as follows:

2021	\$ 112,073
2022	119,578
2023	126,953
2024	133,932
2025	143,038
Thereafter	<u>4,873,911</u>
	<u><u>\$ 5,509,485</u></u>

7. RETIREMENT PLAN

The School has adopted a SIMPLE IRA retirement plan that substantially all employees are eligible to participate in. The School contributes a matching contribution of up to 3% of the employee's gross compensation to any employee who contributes to the plan. The School's retirement plan expense for the years ended June 30, 2020 and 2019 was \$47,957 and \$45,393, respectively.

8. CONCENTRATION OF RISK

The School receives a substantial portion of its funding from school districts where students reside. Three school districts comprised approximately 93% and 91% of total revenue and support for the years ended June 30, 2020 and 2019, respectively. No other funding source accounted for more than 10% of total revenue and support.

The School does occasionally maintain deposits in excess of federal insured limits. The ASC identifies this as a possible concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

The School is subject to audits and reviews of reimbursable costs by various governmental agencies. The outcome of the audits and reviews may have the effect of retroactively increasing or decreasing revenue from various sources. These changes, if any, will be recognized in accordance with the rules and guidelines established by the various funding sources.

9. LIQUIDITY AND AVAILABILITY OF RESOURCES

The School has \$3,151,164 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of unrestricted cash of \$2,652,348 and accounts, grants and contracts receivable of \$498,816. The School has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$947,000. The School has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**ADDITIONAL REPORT REQUIRED
BY *GOVERNMENT AUDITING STANDARDS***

CUSACK & COMPANY

Compliance and Other Matters

Henry Johnson Charter School

) %\$ +

9000

1201

Date Reference Account

Adjusting Journal Entries

06/30/20 AJE01

5677

1595

06/30/20 AJE02

2016

6200

6240

6255

6263

6250

6223

06/30/20 AJE03

5675

5676

1511

1501

5107

06/30/20 AJE04

9000

1202

4002

1202

9000

1201

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Henry Johnson Charter School

Adjusting Journal Entries

July 1, 2019 - June 30, 2020

Date	Reference	Account	Description	WP Reference	Debit	Credit	Net Income Effect	Misstatement
Potential Journal Entries								
06/30/20	PJE01		POTENTIAL: To adjust current portion M-Lead of LTD to correct balance.				(553.05)	
		2030	Current Portion LTD			553.05		
		5401	Interest Expense - LISC		553.05			
				Totals for Potential Journal Entries	<u>553.05</u>	<u>553.05</u>	<u>(553.05)</u>	
				Report Totals	<u>223,315.45</u>	<u>223,315.45</u>	<u>76,355.26</u>	