



## **NEW VENTURES CHARTER SCHOOL**

Audited Financial Statements in Accordance  
With Government Auditing Standards

June 30, 2016

# NEW VENTURES CHARTER SCHOOL

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## **Independent Auditors' Report**

To the Board of Trustees of  
New Ventures Charter School

### **Report on the Financial Statements**

We have audited the accompanying financial statements of New Ventures 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 from inception through June 30, 2016, 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. 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 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.

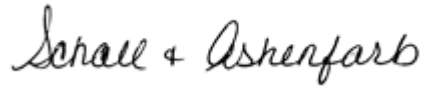
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Ventures Charter School as of June 30, 2016, and the changes in its net assets and its cash flows from inception through June 30, 2016, 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 24, 2016 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.



Schall & Ashenfarb  
Certified Public Accountants, LLC

October 24, 2016

**NEW VENTURES CHARTER SCHOOL  
STATEMENT OF FINANCIAL POSITION  
AT JUNE 30, 2016**

**Assets**

Cash and cash equivalents	\$219,193
Restricted cash (Note 3)	25,016
Government grants and other receivable	335,013
Prepaid expenses	711
Fixed assets, net (Note 4)	<u>219,806</u>
Total assets	<u><u>\$799,739</u></u>

**Liabilities and Net Assets**

Liabilities:	
Accounts payable and accrued expenses	\$106,782
Grant advance - New York City (Note 5)	959
Due to related party (Note 6)	<u>264,120</u>
Total liabilities	<u><u>371,861</u></u>
Net assets:	
Unrestricted	<u>427,878</u>
Total net assets	<u><u>427,878</u></u>
Total liabilities and net assets	<u><u>\$799,739</u></u>

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

**NEW VENTURES CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FROM INCEPTION THROUGH JUNE 30, 2016**

Unrestricted:	
Public support and revenue:	
Public school district: (Note 5)	
Revenue - resident student enrollment	\$695,238
Revenue - students with special education services	<u>411,934</u>
Total public school district revenue	1,107,172
Government grants	801,200
Other income	<u>2,644</u>
Total public support and revenue	<u>1,911,016</u>
Expenses:	
Program services:	
Regular education	630,152
Special education	<u>627,134</u>
Total program services	1,257,286
Supporting services:	
Management and general	216,176
Fundraising	<u>9,676</u>
Total expenses	<u>1,483,138</u>
Change in net assets	427,878
Net assets - beginning	<u>0</u>
Net assets - ending	<u><u>\$427,878</u></u>

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

**NEW VENTURES CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
FROM INCEPTION THROUGH JUNE 30, 2016**

	Program Services			Supporting Services		Total Expenses
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	
Salaries	\$236,147	\$300,136	\$536,283	\$100,886	\$3,500	\$640,669
Payroll taxes and employee benefits	50,004	63,519	113,523	20,272	1,351	135,146
Total personnel costs	<u>286,151</u>	<u>363,655</u>	<u>649,806</u>	<u>121,158</u>	<u>4,851</u>	<u>775,815</u>
Professional fees	96,160	76,511	172,671	67,403	53	240,127
Office supplies	5,440	6,910	12,350	2,255	147	14,752
Curriculum and classroom expenses	70,461	55,362	125,823			125,823
Technology	31,305	22,198	53,503	2,846	569	56,918
Occupancy	93,278	66,143	159,421	8,480	1,696	169,597
Postage and shipping	1,590	1,127	2,717	145	29	2,891
Liability insurance	9,516	6,747	16,263	865	173	17,301
Professional development	972	763	1,735			1,735
Recruitment	9,479	7,447	16,926			16,926
Student transportation	19,559	15,368	34,927			34,927
Student food expenses	6,241	4,903	11,144			11,144
Special events			0		2,158	2,158
Depreciation			0	13,024		13,024
Total other than personnel costs	<u>344,001</u>	<u>263,479</u>	<u>607,480</u>	<u>95,018</u>	<u>4,825</u>	<u>707,323</u>
Total expenses	<u><u>\$630,152</u></u>	<u><u>\$627,134</u></u>	<u><u>\$1,257,286</u></u>	<u><u>\$216,176</u></u>	<u><u>\$9,676</u></u>	<u><u>\$1,483,138</u></u>

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

**NEW VENTURES CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
FROM INCEPTION THROUGH JUNE 30, 2016**

Cash flows from operating activities:	
Change in net assets	\$427,878
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	13,024
Changes in assets and liabilities:	
Restricted cash	(25,016)
Government grants and other receivable	(335,013)
Prepaid expenses	(711)
Accounts payable and accrued expenses	106,782
Grant advance - New York City	959
Total adjustments	<u>(239,975)</u>
Net cash provided by operating activities	<u>187,903</u>
 Cash flows from investing activities:	
Purchase of fixed assets	<u>(232,830)</u>
Net cash used for investing activities	<u>(232,830)</u>
 Cash flows from financing activities:	
Proceeds from related party	<u>264,120</u>
Net cash provided by financing activities	<u>264,120</u>
 Net increase in cash and cash equivalents	219,193
 Cash and cash equivalents - beginning	<u>0</u>
 Cash and cash equivalents - ending	<u><u>\$219,193</u></u>
 Supplemental disclosures:	
Interest and taxes paid	<u><u>\$0</u></u>

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



**NEW VENTURES CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Note 1 - Organization and Nature of Activities**

New Ventures Charter School (the "School"), located in Staten Island, New York, is a not-for-profit educational corporation chartered by the Board of Regents of the University of the State of New York. The mission of the School is to create a learning community in which all students, including those living in challenging economic circumstances and those living with emotional challenges and other disabilities, develop the skills and social fluency to lead fulfilling and contributive lives in their communities. The School promotes college and career readiness for over-age and under-credited, disconnected and at-risk youth aged 16-21 living on Staten Island, enabling them to graduate from high school, prepared to excel in their academic, professional, and personal lives. The School completed the 2015-2016 school year (first year of operations) with an average enrollment of approximately 50 students.

On November 18, 2014, the School was granted a provisional charter by the Board of Regents of the University of the State of New York for a term of five years, expiring on June 30, 2020. Such 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 April 27, 2015, the School received notification from the Internal Revenue Service that they are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. They have not been designated as a private foundation.

The financial statements reflect activity from inception through June 30, 2016.

**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.

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. Temporarily restricted contributions, the requirements of which are met in the fiscal period of donation, are reported as unrestricted. The School did not have any temporary restricted net assets at June 30, 2016.
- *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. Cash and Cash Equivalents

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

c. Concentration of Credit

Financial instruments, which potentially subject the School to concentration of credit risk, consist of cash accounts, which have been placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. At year-end, there were no significant uninsured balances.

d. Grants and Other Receivables

All receivables at June 30, 2016 are due within one year and have been recorded at net realizable value.

The School reviews receivables that are unlikely to be collected including an analysis of cash received subsequent to the balance sheet date. Based on this review, no allowance for doubtful accounts was deemed necessary as of June 30, 2016. Write-offs will be made directly to operations in the period the receivable is deemed to be uncollectable.

e. Capitalization Policy

Leasehold improvements, as well as equipment and furniture that exceed pre-determined amounts and that have a useful life of greater than one year are recorded at cost or at fair value at the date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

Computer hardware and software – 3 years

Office equipment – 5 years

Building improvements – 16 years

f. Revenue – Public School District

The School receives grants from the New York City, Department of Education (“NYCDOE”) to carry out its operations. Program revenues are recognized based on rates established by the School’s funding sources and the amount realizable on the accrual basis in the period during which services are provided.

g. Government Grants

Government grants that have traits more similar to contracts for service are treated as exchange transactions and are recognized as income when earned. The difference between grants earned and cash received is recorded as either grants receivable or government grant advances.

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 conformity with accounting principles generally accepted in the United States of America, 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. Actual results could differ from those estimates.
- k. Contingencies  
Government contracts are subject to audit by the grantor. Management does not believe that any audits, if they were to occur, would result in material disallowed costs, and has not established any reserves. Any disallowed costs would be recorded in the period notified.
- l. Accounting for Uncertainty of Income Taxes  
The School does not believe its financial statements include any material, uncertain tax positions. June 30, 2016 is the initial filing, so there are no prior tax periods subject to examination by applicable taxing authorities.
- m. Subsequent Events  
Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through October 24, 2016, the date the financial statements were available to be issued. All events that have occurred subsequent to the statement of financial position date, through our evaluation date that would require adjustment to or further disclosure in the financial statements have been made.
- n. 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.

### **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 - Fixed Assets**

At June 30, 2016, fixed assets are summarized as follows:

Computer hardware and software	\$70,518
Office equipment	115,362
Building improvements	<u>46,950</u>
Total fixed assets - cost	232,830
Less: accumulated depreciation	<u>(13,024)</u>
Total fixed assets, net	<u>\$219,806</u>

**Note 5 - Grant Receivable/Advance Payable – New York City Department of Education**

	<u>6/30/16</u>
Beginning grant advance payable	\$0
Funding based on allowable FTE's	1,107,172
Advances received	<u>(1,108,131)</u>
Ending grant advance payable	<u>(\$959)</u>

**Note 6 - Related Party Transaction**

On February 26, 2015, the School entered into a Memorandum of Understanding with John W. Lavelle Preparatory Charter School ("Lavelle"), a separately incorporated public charter school. The leadership of Lavelle established the School to complement and extend its mission. The School and Lavelle have common board members and administrative employees.

As part of the Memorandum of Understanding, the School pays \$150,000 to Lavelle for space rental. This agreement was renewed for the school year 2016-2017.

The School received advances from Lavelle to cover startup and operating costs that totaled \$114,120.

**Note 7 - Significant Concentrations**

The School is dependent upon grants from NYCDOE to carry out its operations. From inception through June 30, 2016, approximately 65% of the School's total public support and revenue was received from NYCDOE. If NYCDOE were to discontinue funding, it would have a severe economic impact on the School's ability to operate.

**Note 8 - Retirement Plan**

The School adopted a defined contribution 401(k) profit sharing plan (the "Plan"), which covers most of the employees. Employees are eligible to enroll in the Plan on the first day of employment. The Plan provides for the School to contribute up to 5% of the participating employee's salary and the school's contributions to the plan becomes fully vested when the employee completes two-years of service. Total contributions to the plan totaled \$21,000 for the period from inception through June 30, 2016.

**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 Ventures 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 Ventures 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 from inception through June 30, 2016 and the related notes to the financial statements, and have issued our report thereon dated October 24, 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.

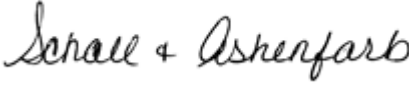
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during 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 24, 2016

**NEW VENTURES CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016**

Current Year:

None

Prior Year:

None – This was the School’s first year of operating, and audits had not been previously performed.