



NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

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INDEPENDENT AUDITOR'

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Visions Charter High School for the Humanities 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.

## Emphasis of Matter

As further discussed in Note 9 to the financial statements, a global pandemic has been declared by the World Health Organization as a result of the rapidly growing outbreak of the coronavirus, COVID-19. The extent and ultimate impact of COVID-19 on the School's operating and financial performance cannot be predicted at this time. Our opinion is not modified with respect to this matter.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2020 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School's internal control over financial

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2020 AND 2019

ASSETS	2020	2019
Cash	\$ 5,161,749	\$ 3,421,220
Cash - restricted	76,482	76,094
Grants receivable	716,188	453,756
Due from related entities	6,839	3,867
Prepaid expenses and other assets	29,702	56,508
Property and equipment, net	<u>95,204</u>	<u>33,969</u>
	<u>\$ 6,086,164</u>	<u>\$ 4,045,414</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 44,089	\$ 120,716
Accrued salaries and other payroll related expenses	393,981	321,859
Refundable advance from Paycheck Protection Program	497,065	-
Due to NYC Department of Education	10,218	83,228
Due to related entities	<u>210,433</u>	<u>205,079</u>
	<u>1,155,786</u>	<u>730,882</u>
<b>NET ASSETS</b>		
Net assets - without donor restrictions	4,923,084	3,310,391
Net assets - with donor restrictions	<u>7,294</u>	<u>4,141</u>
	<u>4,930,378</u>	<u>3,314,532</u>
	<u>\$ 6,086,164</u>	<u>\$ 4,045,414</u>

The accompanying notes are an integral part of these financial statements.

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STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>OPERATING REVENUE WITHOUT DONOR RESTRICTIONS</b>		
State and local per pupil operating revenue	\$ 10,191,357	\$ 9,280,891
Government grants and contracts	<u>1,711,681</u>	<u>862,653</u>
	<u>11,903,038</u>	<u>10,143,544</u>
<b>EXPENSES</b>		
Program services	9,444,582	8,931,984
Management and general	<u>1,004,359</u>	<u>867,790</u>
	<u>10,448,941</u>	<u>9,799,774</u>
<b>SUPPORT AND OTHER INCOME</b>		
Contributions and other income	133,515	168,197
Interest income	25,081	19,034
Net assets released from restrictions	<u>-</u>	<u>4,965</u>
	<u>158,596</u>	<u>192,196</u>
<b>INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>1,612,693</u>	<u>535,966</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	3,153	784
Net assets released from restrictions	<u>-</u>	<u>(4,965)</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>3,153</u>	<u>(4,181)</u>
<b>CHANGE IN NET ASSETS</b>	1,615,846	531,785
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>3,314,532</u>	<u>2,782,747</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 4,930,378</u>	<u>\$ 3,314,532</u>

The accompanying notes are an integral part of these financial statements.

		No. of Positions	Regular Education	Special Education	Total	Supporting Services Management and General	2020
Personnel service costs							
Administrative staff	2020						

	No. of Positions	Regular Education	Special Education	Total	Supporting Services Management and General	2019
Personnel service costs						
Administrative staff personnel	24	\$ 945,369	\$ 187,860	\$ 1,133,229	\$ 600,179	1,733,408



	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operating revenue	\$ 11,567,596	\$ 10,343,104
Other cash received	161,749	188,015
Cash paid to employees and suppliers	(9,893,976)	(9,783,737)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,835,369	747,382
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(94,452)	(12,435)
NET INCREASE IN CASH	1,740,917	734,947
CASH AND CASH - RESTRICTED - BEGINNING OF YEAR	3,497,314	2,762,367
CASH AND CASH - RESTRICTED - END OF YEAR	\$ 5,238,231	\$ 3,497,314
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 1,615,846	\$ 531,785
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	33,217	48,695

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019



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## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment acquired with certain government funding are recorded as expenses pursuant to the terms of the contract in which ownership of such property and equipment is retained by the funding source. Maintenance and repairs are expensed as they occur. The School has established a \$3,000 threshold above which assets are evaluated to be capitalized. The School expenses leasehold improvements because it has no lease and is uncertain that the space will be available beyond the close of the current fiscal year. Removable equipment that can be transferred to new space, if necessary, is capitalized. Depreciation is provided on the straight-line method over the estimated useful lives as follows:

Furniture and office equipment	3 years
Computer equipment	3 years

#### Impairment

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized for the years ended June 30, 2020 and 2019.

#### Functional Allocation of Expenses

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

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of the proportionate share of instructional and management and general expenses. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

#### Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain 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.

#### Subsequent Events

The School has evaluated events through October 20, 2020, which is the date the financial statements were available to be issued.

#### Income Taxes

The School follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, disclosure and transition.

The School files informational returns in the federal jurisdiction. With few exceptions, the School is no longer subject to federal income tax examinations for fiscal years before 2017.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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Income Taxes (continued)

The School believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the School would classify it as interest expense. The School would classify penalties in connection with underpayments of income tax as other expense.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

Lease Accounting (continued)

In June 2020, the FASB issued an accounting standards update which defers the required effective date of the update for one year. As a result, entities may elect to adopt the guidance for annual reporting periods beginning after December 15, 2021, and for interim reporting periods beginning after December 15, 2022, with early application permitted. The School has elected the deferral and is currently evaluating the effect the update will have on its financial statements.

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The School maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The School strives to maintain a cash reserve equal to a minimum of three months of operating expenses, with a target of three to six months. Cash is kept in interest-bearing bank accounts to maximize returns.

The School's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

June 30,	2020	2019
Cash	\$ 5,161,749	\$ 3,421,220
Cash - restricted	76,482	76,094
Grants receivable	716,188	453,756
Due from related entities	6,839	3,867
Total financial assets	<u>5,961,258</u>	<u>3,954,937</u>
Less amounts unavailable for general expenditures within one year due to:		
Restricted by contract with time or purpose	(76,482)	(76,094)
Restricted by donors with purpose restrictions	<u>(7,294)</u>	<u>(4,141)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 5,877,482</u>	<u>\$ 3,874,702</u>

At June 30, 2020 and 2019, the School has no board designated net assets.

4. RELATED PARTY TRANSACTIONS

New Visions for Public Schools ("New Visions") is a not-for-profit organization dedicated to supporting public schools and helping start and manage charter schools. Pursuant to the terms of the Educational Services Agreement by and between the School and New Visions dated July 22, 2011, New Visions provides educational management, operational, and fundraising services to the School. As compensation to New Visions for these services rendered, the School pays 8% of its gross revenue. Gross revenue is defined as all such funding provided by the State, Federal, and local governments, but excludes any private grant funding awarded to the School.

The balance due to New Visions from the School at June 30, 2020 and 2019 amounted to \$209,948 and \$202,521, respectively, which is comprised of management fees. Total management fees incurred by the School for the years ended June 30, 2020 and 2019 totaled \$866,969 and \$811,483, respectively. The balance due from New Visions to the School at June 30, 2020 amounted to \$3,438. There was no balance due from New Visions to the School at June 30, 2019.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020



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NOTES TO FINANCIAL F

Independent Auditor's 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

### 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 per

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weakness (es) identified?	yes _____	no <u>¥</u>
Significant deficiency (ies) identified that are not considered to be material weaknesses?	yes _____	no <u>¥</u>
Noncompliance material to financial statements noted?	yes <u>¥</u>	no _____

SECTION II – FINANCIAL STATEMENT FINDING

Finding: 2020-01

Criteria and condition: The School is required to be in compliance with the New York State Education Department (“NYSED”) requirements. The teacher certification exemption allows charter schools to have up to 15 uncertified teachers, with the provision that 5 of these teachers are teaching math, science, computer science, technology, or career and technical education. The School had 15 teachers that were uncertified, but only 3 of these teachers are teaching math, science, computer science, technology, or career and technical education.

Context: NYSED requires the School to have no more than 15 uncertified teachers, with the provision that 5 of these teachers are teaching math, science, computer science, technology, or career and technical education, with the remaining 10 teachers not restricted.

Cause: Inadequate management oversight of NYSED requirements.

Effect: The School can be under additional scrutiny from the New York City Department of Education for not being in compliance with the NYSED requiring teachers to be qualified thH8hool cy1-8424.1(yenternal 6u3 Tuf 3T3yp.31(y

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SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2020

FINANCIAL STATEMENT FINDING

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Finding No: 2019-01

Condition: The School is required to be in compliance with the New York State Education Department requirements. The teacher certification exemption allows charter schools to have up to 15 uncertified teachers. The School had 19 teachers that were uncertified.

Current Status:

The finding has not been corrected, see Finding No. 2020-01.