



Audited Financial Statements In Accordance
With Government Auditing Standards

June 30, 2016

JOHN W. LAVELLE PREPARATORY CHARTER SCHOOL

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Independent Auditors' Report

To the Board of Trustees of
John W. Lavelle Preparatory Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of John W. Lavelle Preparatory Charter School (the "School"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

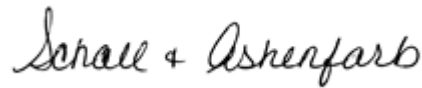
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of John W. Lavelle Preparatory Charter School as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2015. In our opinion, the summarized comparative information presented herein as of and for the year-ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

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

JOHN W. LAVELLE PREPARATORY CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2016
(With comparative totals at June 30, 2015)

| | <u>6/30/16</u> | <u>6/30/15</u> |
|---|-----------------------------|-----------------------------|
| Assets | | |
| Cash and cash equivalents | \$2,085,871 | \$1,472,531 |
| Restricted cash (Note 3) | 70,264 | 70,193 |
| Grant receivable - New York City (Note 4) | 30,562 | 2,824 |
| Government grants and other receivable | 243,238 | 225,908 |
| Prepaid expenses | 21,147 | 43,262 |
| Due from related organization (Note 5) | 264,120 | 84,224 |
| Fixed assets, net (Note 6) | 2,083,576 | 2,149,837 |
| Lease acquisition costs (Note 7) | 324,486 | 345,089 |
| | <u> </u> | <u> </u> |
| Total assets | <u><u>\$5,123,264</u></u> | <u><u>\$4,393,868</u></u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$1,125,000 | \$986,561 |
| Other grant advance | 0 | 19,288 |
| Loans payable (Note 9) | 877,681 | 904,120 |
| Deferred rent | 2,015,628 | 1,878,458 |
| | <u> </u> | <u> </u> |
| Total liabilities | <u>4,018,309</u> | <u>3,788,427</u> |
| Net Assets: | | |
| Unrestricted | 1,042,358 | 568,941 |
| Temporarily restricted (Note 10) | 62,597 | 36,500 |
| | <u> </u> | <u> </u> |
| Total net assets | <u>1,104,955</u> | <u>605,441</u> |
| | <u> </u> | <u> </u> |
| Total liabilities and net assets | <u><u>\$5,123,264</u></u> | <u><u>\$4,393,868</u></u> |

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

JOHN W. LAVELLE PREPARATORY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR-ENDED JUNE 30, 2016
(With comparative totals for the year-ended June 30, 2015)

| | Unrestricted | Temporarily Restricted | Total 6/30/16 | Total 6/30/15 |
|---|--------------|---------------------------|------------------|------------------|
| Public Support and Revenue: | | | | |
| Public school district: (Note 4) | | | | |
| Revenue - resident student enrollment | \$6,767,119 | | \$6,767,119 | \$5,987,980 |
| Revenue - students with special education services | 3,140,530 | | 3,140,530 | 2,799,193 |
| Total public school district revenue | 9,907,649 | 0 | 9,907,649 | 8,787,173 |
| Government grants | 1,141,510 | | 1,141,510 | 976,298 |
| Contributions | 6,347 | 31,703 | 38,050 | 37,912 |
| Benefit income (net of expenses with a direct benefit to donors) (Note 13) | 17,863 | | 17,863 | 22,720 |
| Rental and other income | 170,268 | | 170,268 | 14,884 |
| Net assets released from restrictions | 5,606 | (5,606) | 0 | 0 |
| | 11,249,243 | 26,097 | 11,275,340 | 9,838,987 |
| Expenses: | | | | |
| Program services: | | | | |
| Regular education | 6,016,736 | | 6,016,736 | 5,571,454 |
| Special education | 3,671,563 | | 3,671,563 | 2,450,304 |
| Total program services | 9,688,299 | 0 | 9,688,299 | 8,021,758 |
| Supporting services: | | | | |
| Management and general | 976,043 | | 976,043 | 806,236 |
| Fundraising | 111,484 | | 111,484 | 107,027 |
| | 10,775,826 | 0 | 10,775,826 | 8,935,021 |
| Change in net assets | 473,417 | 26,097 | 499,514 | 903,966 |
| Net assets - beginning | 568,941 | 36,500 | 605,441 | (298,525) |
| Net assets - ending | \$1,042,358 | \$62,597 | \$1,104,955 | \$605,441 |

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

JOHN W. LAVELLE PREPARATORY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR-ENDED JUNE 30, 2016
(With comparative totals for the year-ended June 30, 2015)

| | Program Services | | | Supporting Services | | Total Expenses 6/30/16 | Total Expenses 6/30/15 |
|-------------------------------------|----------------------|----------------------|------------------------------|------------------------------|------------------|------------------------------|------------------------------|
| | Regular Education | Special Education | Total Program Services | Management and General | Fundraising | | |
| Salaries | \$3,401,740 | \$2,013,292 | \$5,415,032 | \$541,649 | \$57,600 | \$6,014,281 | \$4,886,095 |
| Payroll taxes and employee benefits | 985,989 | 570,837 | 1,556,826 | 155,683 | 17,298 | 1,729,807 | 1,351,471 |
| Total personnel costs | <u>4,387,729</u> | <u>2,584,129</u> | <u>6,971,858</u> | <u>697,332</u> | <u>74,898</u> | <u>7,744,088</u> | <u>6,237,566</u> |
| Professional development | 20,793 | 11,696 | 32,489 | 5,600 | | 38,089 | 72,141 |
| Professional fees | 68,519 | 38,707 | 107,226 | 70,612 | 176 | 178,014 | 129,401 |
| Student and staff recruiting | | | 0 | 13,167 | | 13,167 | 8,009 |
| Curriculum and classroom expenses | 252,832 | 142,219 | 395,051 | | | 395,051 | 194,321 |
| Supplies and materials | 5,425 | 3,847 | 9,272 | 494 | 98 | 9,864 | 10,237 |
| Food services | 120,707 | 67,898 | 188,605 | | | 188,605 | 177,190 |
| Insurance | 26,753 | 18,970 | 45,723 | 2,432 | 487 | 48,642 | 38,927 |
| Information technology | 13,101 | 9,290 | 22,391 | 1,191 | 239 | 23,821 | 21,207 |
| Leased equipment | 17,032 | 12,078 | 29,110 | 1,548 | 310 | 30,968 | 54,884 |
| Repairs and maintenance | 184,226 | 130,633 | 314,859 | 16,746 | 3,350 | 334,955 | 242,212 |
| Occupancy and facility costs | 778,255 | 551,854 | 1,330,109 | 70,750 | 14,150 | 1,415,009 | 1,410,472 |
| Utilities | 9,248 | 6,557 | 15,805 | 841 | 168 | 16,814 | 14,679 |
| Depreciation | 119,775 | 84,933 | 204,708 | 10,890 | 2,178 | 217,776 | 207,571 |
| Amortization | 11,330 | 8,035 | 19,365 | 1,032 | 206 | 20,603 | 20,603 |
| Special events | | | 0 | | 3,989 | 3,989 | 3,723 |
| Other expenses | 1,011 | 717 | 1,728 | 83,408 | 11,235 | 96,371 | 91,878 |
| Total other than personnel costs | <u>1,629,007</u> | <u>1,087,434</u> | <u>2,716,441</u> | <u>278,711</u> | <u>36,586</u> | <u>3,031,738</u> | <u>2,697,455</u> |
| Total expenses | <u>\$6,016,736</u> | <u>\$3,671,563</u> | <u>\$9,688,299</u> | <u>\$976,043</u> | <u>\$111,484</u> | <u>\$10,775,826</u> | <u>\$8,935,021</u> |

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

JOHN W. LAVELLE PREPARATORY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR-ENDED JUNE 30, 2016
(With comparative totals for the year-ended June 30, 2015)

| | <u>6/30/16</u> | <u>6/30/15</u> |
|--|--------------------|--------------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | \$499,514 | \$903,966 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 217,776 | 207,571 |
| Amortization | 20,603 | 20,603 |
| Changes in assets and liabilities: | | |
| Restricted cash | (71) | (70) |
| Grant receivable - New York City | (27,738) | (2,824) |
| Government grants and other receivable | (17,330) | 12,827 |
| Prepaid expenses | 22,115 | (29,352) |
| Accounts payable and accrued expenses | 138,439 | 227,297 |
| Grant advance - New York City | 0 | (12,893) |
| Other grant advance | (19,288) | 19,288 |
| Deferred rent | 137,170 | 345,052 |
| Lease acquisition costs payable | 0 | (126,310) |
| Total adjustments | <u>471,676</u> | <u>661,189</u> |
| Net cash provided by operating activities | <u>971,190</u> | <u>1,565,155</u> |
| Cash Flows from Investing Activities: | | |
| Purchase of fixed assets | (164,473) | (370,178) |
| Disposals of fixed assets | 12,958 | 0 |
| Advances to related organization | (179,896) | (84,224) |
| Net cash used for investing activities | <u>(331,411)</u> | <u>(454,402)</u> |
| Cash Flows from Financing Activities: | | |
| Repayment of loans | (26,439) | (24,214) |
| Net cash used for financing activities | <u>(26,439)</u> | <u>(24,214)</u> |
| Net increase in cash and cash equivalents | 613,340 | 1,086,539 |
| Cash and cash equivalents - beginning of year | <u>1,472,531</u> | <u>385,992</u> |
| Cash and cash equivalents - end of year | <u>\$2,085,871</u> | <u>\$1,472,531</u> |
| Supplemental disclosures: | | |
| Interest paid | <u>\$78,823</u> | <u>\$80,970</u> |
| Taxes paid | <u>\$0</u> | <u>\$0</u> |

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

JOHN W. LAVELLE PREPARATORY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 - Organization and Nature of Activities

John W. Lavelle Preparatory 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 School provides a college preparatory education curriculum that equips and empowers students for success. The School welcomes all students, including those living with emotional disabilities, and integrates all students in its classes and activities. In fostering both the academic and emotional growth of all students, the School serves as an innovative, holistic educational model for other high-performing schools.

On March 11, 2014, the School was granted an extension on their 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, 2018. 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.

Note 2 - Significant Accounting Policies

a. Basis of Presentation

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

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

- *Unrestricted* – represent those resources for which there are no restrictions by donors as to their use.
- *Temporarily restricted* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor. Temporarily restricted contributions, the requirements of which are met in the year of donation, are reported as unrestricted. See Note 10 for more details.

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 based on historical experience and a review of activity, 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 predetermined 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:

Furniture and fixtures – *7 years*

Computer hardware and software – *3 years*

Office equipment – *5 years*

Leasehold improvements – *Life of lease*

f. Deferred Rent

Rent expense is recognized evenly over the life of the lease using the straight-line method. In the earlier years of the lease, as rent expense exceeds amounts paid, a deferred rent liability is created. In later years of the lease, as payments exceed the amount of expense recognized, deferred rent will be reduced until it is zero at the end of the lease.

g. Contributions

Contributions are recorded as revenue at the earlier of the receipt of cash or when pledges are considered unconditional in nature. Contributions are available for unrestricted use, unless specifically restricted by the donor, in which case they are recorded in one of the restricted classes of net assets, depending on the nature of the restriction. Conditional contributions are recognized as income when the conditions have been substantially met.

h. 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.

i. 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.

j. 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.

k. 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.

l. 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.

m. 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.

n. Taxes

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

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

o. Prior-Year Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year-ended June 30, 2015, from which the summarized information was derived.

p. 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.

q. 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 - Grant Receivable/Advance Payable – New York City Department of Education

| | <u>6/30/16</u> | <u>6/30/15</u> |
|--|--------------------|--------------------|
| Beginning grant receivable/(advance payable) | \$2,824 | (\$12,893) |
| Funding based on allowable FTE's | 9,907,649 | 8,787,173 |
| Advances received | <u>(9,879,911)</u> | <u>(8,771,456)</u> |
| Ending grant receivable | <u>\$30,562</u> | <u>\$2,824</u> |

Note 5 - Related Party Transaction

On February 26, 2015, the School entered into a Memorandum of Understanding with New Ventures Charter School ("NVCS"), a separately incorporated public charter school that was established by the leadership of the School to complement and extend its mission. Both entities have common trustees, management and staff. NVCS conducted its first year of classes in the 2015-2016 school year. The memorandum of understanding permits NVCS to use the administrative and management personnel of the School and pay them directly. During 2016, a rental fee was charged to NVCS for use of shared space in the amount of \$150,000. The full amount was outstanding as of year-end.

The School also provided advances to NVCS for startup costs. The outstanding balance was \$114,120 and \$84,224 as of June 30, 2016 and 2015, respectively.

Note 6 - Fixed Assets

Fixed assets consisted of the following:

| | <u>6/30/16</u> | <u>6/30/15</u> |
|--------------------------------|--------------------|--------------------|
| Furniture and fixtures | \$336,256 | \$325,716 |
| Computer hardware and software | 270,660 | 286,510 |
| Office equipment | 188,816 | 176,212 |
| Leasehold improvements | <u>2,337,114</u> | <u>2,199,684</u> |
| Total fixed assets - cost | 3,132,846 | 2,988,122 |
| Less: accumulated depreciation | <u>(1,049,270)</u> | <u>(838,285)</u> |
| Total fixed assets, net | <u>\$2,083,576</u> | <u>\$2,149,837</u> |

Note 7 - Lease Commitments

The School occupies space in Staten Island under a lease agreement that expires on August 31, 2031. The lease agreement contains two phases, and consists of the following:

Phase One

Phase one is for the third floor of the space, which commenced on May 1, 2011 and terminates on August 31, 2031.

Phase Two

Phase two was an option that the School exercised for additional space in the same facility. A non-refundable reservation fee of \$412,060 is reflected as an asset (lease acquisition costs) and is amortized over the life of the phase two portion of the lease on a straight-line basis. The balance is \$324,486 and \$345,089 for the years-ended June 30, 2016 and 2015, respectively.

The phase two space also requires a security deposit of \$500,000. Payments are due as follows:

| | | |
|--------------|---------------|------------------|
| Year-ending: | June 30, 2017 | \$100,000 |
| | June 30, 2018 | 20,000 |
| | June 30, 2019 | 80,000 |
| | June 30, 2020 | 100,000 |
| | June 30, 2021 | 100,000 |
| | June 30, 2022 | <u>100,000</u> |
| Total | | <u>\$500,000</u> |

Future minimum rental payments for both phases are due as follows:

| | | |
|--------------|---------------|---------------------|
| Year-ending: | June 30, 2017 | \$1,348,723 |
| | June 30, 2018 | 1,448,293 |
| | June 30, 2019 | 1,466,397 |
| | June 30, 2020 | 1,466,397 |
| | June 30, 2021 | 1,466,397 |
| | Thereafter | <u>16,048,907</u> |
| Total | | <u>\$23,245,114</u> |

Note 8 - Line of Credit

The School has a revolving line of credit with a local bank for a maximum amount of \$100,000. Interest accrues at 7.5%. The School did not use the line of credit during the year-ended June 30, 2016, therefore, the full amount is available. The line is secured by the School's property and is guaranteed by its President and a trustee from the Board of Trustees.

Note 9 - Loans Payable

The School has entered into several loans with its landlord for the renovation of the School's space. All of the loans are secured by the School's property and are cross-collateralized with phases one and two of the lease.

A summary of the loans is as follows:

| | <u>6/30/16</u> | <u>6/30/15</u> |
|---|------------------|------------------|
| First loan from landlord – due 8/31/31 at 8.75% | \$444,464 | \$457,948 |
| Second loan from landlord – due 8/31/31 at 8.9% | 236,833 | 243,915 |
| Third loan from landlord – due 8/31/31 at 8.9% | <u>196,384</u> | <u>202,257</u> |
| | <u>\$877,681</u> | <u>\$904,120</u> |

As of June 30, 2016, future minimum principal payments on the loans payable are as follows:

| | | |
|--------------|---------------|------------------|
| Year-ending: | June 30, 2017 | \$28,869 |
| | June 30, 2018 | 31,522 |
| | June 30, 2019 | 34,418 |
| | June 30, 2020 | 37,581 |
| | June 30, 2021 | 41,035 |
| | Thereafter | <u>704,256</u> |
| Total | | <u>\$877,681</u> |

Note 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

| | <u>6/30/16</u> | <u>6/30/15</u> |
|---------------------------------|-----------------|-----------------|
| Scholarships | \$1,500 | \$1,500 |
| Community Performing Arts Space | 8,100 | 10,000 |
| Literacy Intervention Program | 25,000 | 25,000 |
| School Expansion | 22,393 | 0 |
| Technology | 5,000 | 0 |
| Futures of Education | <u>604</u> | <u>0</u> |
| Total | <u>\$62,597</u> | <u>\$36,500</u> |

Net assets were released from restriction on the school expansion program.

Note 11 - Significant Concentrations

The School is dependent upon grants from NYCDOE to carry out its operations. Approximately 90% of the School's total public support and revenue in both 2016 and 2015 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 12 - Retirement Plan

The School adopted a 401(k) profit sharing plan (the "Plan"), which covers most of the employees. The Plan is a defined contribution plan. Employees are eligible to enroll in the Plan on the first day of employment. Those employees who have completed at least one full day of service are also eligible for employer contribution. The Plan provides for the School to contribute up to 5% of the participating employee's salary. The School contribution becomes fully vested after the employee completes two years of service. Amounts accrued for the employer portion of matching contribution was \$246,000 and \$137,000 for the years-ended June 30, 2016 and 2015, respectively.

Note 13 - Fundraising Event

The School's Gala benefit proceeds are summarized as follows:

| | <u>6/30/16</u> | <u>6/30/15</u> |
|--|-----------------|-----------------|
| Gross revenue | \$30,188 | \$33,590 |
| Less: expenses where the donor receives a direct benefit | <u>(12,325)</u> | <u>(10,870)</u> |
| | 17,863 | 22,720 |
| Less: other event expenses | <u>(3,989)</u> | <u>(3,723)</u> |
| Total | <u>\$13,874</u> | <u>\$18,997</u> |

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of
John W. Lavelle Preparatory 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 John W. Lavelle Preparatory Charter School (“the School”), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 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.

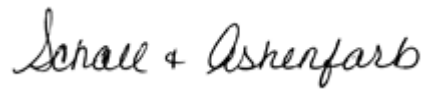
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during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

**JOHN W. LAVELLE PREPARATORY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016**

Current Year:

None

Prior Year:

None