# HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

## FINANCIAL STATEMENTS
## AND
## SUPPLEMENTARY INFORMATION

## JUNE 30, 2020 AND 2019

**HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN**

**TABLE OF CONTENTS**

LUTZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP
551 FIFTH AVENUE - SUITE 400, NEW YORK, NY 10176
212-697-2299 FAX: 212-949-1768

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Hyde Leadership Charter School - Brooklyn

We have audited the accompanying financial statements of Hyde Leadership Charter School - Brooklyn (a nonprofit organization), 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 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 audits. We conducted our audits 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 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 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.

LUTZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hyde Leadership Charter School - Brooklyn 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 discussed in Note 12e to the financial statements, in March 2020, the United States of America declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, Hyde Leadership Charter School - Brooklyn has suspended some of its program activities at the direction of state and local governmental authorities. 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 28, 2020, on our consideration of Hyde Leadership Charter School - Brooklyn'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 the 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 Hyde Leadership Charter School - Brooklyn's internal control over financial reporting and compliance.

Lutz + Carr, LLP

New York, New York
October 28, 2020

**HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2020 AND 2019**

| | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| Cash (Notes 9 and 11) | $3,033,600 | $1,431,512 |
| Restricted cash - New York City Department of Education reserve (Note 9) | 75,207 | 75,176 |
| Unconditional promises to give (Notes 1b and 4a) | | |
| Without donor restrictions | 205,796 | 165,756 |
| Accounts receivable | 12,087 | 1,252 |
| Prepaid expenses and other current assets | 14,750 | 14,750 |
| | 3,341,440 | 1,688,446 |
| Property and equipment, at cost, net of accumulated depreciation (Notes 1c and 5) | 349,640 | 423,825 |
| Security deposit | 29,750 | 29,750 |
| **Total Assets** | $3,720,830 | $2,142,021 |
| **Liabilities and Net Assets** | | |
| Liabilities | | |
| Accounts payable and accrued expenses | $ 320,673 | $ 187,739 |
| Salaries, payroll taxes and benefits payable | 434,193 | 393,997 |
| Capital lease obligation (Note 6) | 52,765 | 172,645 |
| Refundable advance - New York City Department of Education (Note 7) | - | 60,991 |
| Loan payable (Note 8) | 1,197,657 | - |
| Deferred rent (Note 1d) | 18,660 | 5,409 |
| Total Liabilities | 2,023,948 | 820,781 |
| Commitments and Contingencies (Notes 10 and 12) | | |
| Net Assets | | |
| Without Donor Restrictions | | |
| Board designated (Note 3) | 15,000 | 15,000 |
| New York City Department of Education reserve (Note 12c) | 75,207 | 75,176 |
| Other | 1,606,675 | 1,231,064 |
| Total Net Assets | 1,696,882 | 1,321,240 |
| **Total Liabilities and Net Assets** | $3,720,830 | $2,142,021 |

**See notes to financial statements.**

# HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

## STATEMENTS OF ACTIVITIES

## YEARS ENDED JUNE 30, 2020 AND 2019

| | 2020 | 2019 |
|---|---|---|
| **Changes in Net Assets Without Donor Restrictions** | | |
| Revenues and Other Support | | |
| Public School District: | | |
| Resident student enrollment - New York City Department of Education (Note 7) | $9,351,643 | $7,671,596 |
| Federal grants | 400,553 | 210,916 |
| State grants | 210,351 | 129,134 |
| Contributions | 8,447 | 25,987 |
| Interest income | 1,233 | 860 |
| Loss on disposal of property and equipment | (25,867) | (20,373) |
| Other income | 29,672 | 17,851 |
| Total Revenues and Other Support | 9,976,032 | 8,035,971 |
| Expenses | | |
| Program Services | 8,189,224 | 6,667,180 |
| Supporting Services | | |
| Management and general | 1,299,646 | 1,387,634 |
| Fundraising | 111,520 | 126,839 |
| Total Supporting Services | 1,411,166 | 1,514,473 |
| Total Expenses | 9,600,390 | 8,181,653 |
| Increase (decrease) in net assets | 375,642 | (145,682) |
| Net assets, beginning of year | 1,321,240 | 1,466,922 |
| **Net Assets, End of Year** | $1,696,882 | $1,321,240 |

**See notes to financial statements.**

**HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019**

| | 2020 | | | | | | | | 2019 |
|---|---|---|---|---|---|---|---|---|---|
| | | Program Services | | | Supporting Services | | | | |
| | Number of Positions | Regular Education | Special Education | Total | Management and General | Fundraising | Total | Total Expenses | Total Expenses |
| Personnel Services Costs | | | | | | | | | |
| Administrative staff personnel | 12 | $ 350,480 | $ 76,245 | $ 426,725 | $ 734,243 | $ 70,687 | $ 804,930 | $1,231,655 | $1,425,178 |
| Instructional personnel | 58 | 3,747,299 | 469,283 | 4,216,582 | - | - | - | 4,216,582 | 3,287,565 |
| Non-instructional personnel | 2 | 27,702 | 27,702 | 55,404 | 89,483 | - | 89,483 | 144,887 | 125,196 |
| Total Personnel Services Costs | | 4,125,481 | 573,230 | 4,698,711 | 823,726 | 70,687 | 894,413 | 5,593,124 | 4,837,939 |
| Employee benefits and payroll taxes | | 1,010,782 | 140,508 | 1,151,290 | 194,672 | 16,476 | 211,148 | 1,362,438 | 1,212,582 |
| Pension | | 83,710 | 11,636 | 95,346 | 16,123 | 1,364 | 17,487 | 112,833 | 95,705 |
| Management company fees | | 172,232 | - | 172,232 | - | - | - | 172,232 | 143,284 |
| Legal fees | | - | - | - | 750 | - | 750 | 750 | 16,243 |
| Accounting and audit fees | | - | - | - | 49,608 | - | 49,608 | 49,608 | 38,646 |
| Other purchased, professional and consulting services | | 515,108 | 33,604 | 548,712 | 59,464 | 10,583 | 70,047 | 618,759 | 603,867 |
| Occupancy | | 687,580 | 3,135 | 690,715 | 17,594 | 368 | 17,962 | 708,677 | 341,839 |
| Repairs and maintenance | | 57,716 | 8,023 | 65,739 | 11,117 | 941 | 12,058 | 77,797 | 57,908 |
| Insurance | | 33,183 | 4,613 | 37,796 | 6,391 | 541 | 6,932 | 44,728 | 38,152 |
| Supplies | | 158,465 | - | 158,465 | - | - | - | 158,465 | 179,076 |
| Equipment and furnishings | | 31,506 | - | 31,506 | 2,116 | - | 2,116 | 33,622 | 34,093 |
| Staff development | | 69,451 | - | 69,451 | 20,018 | 6,700 | 26,718 | 96,169 | 49,641 |
| Marketing and recruitment | | 6,165 | - | 6,165 | 52,457 | - | 52,457 | 58,622 | 26,240 |
| Food service | | 14,790 | 2,056 | 16,846 | 2,848 | 241 | 3,089 | 19,935 | 24,747 |
| Student services | | 182,129 | - | 182,129 | - | - | - | 182,129 | 160,629 |
| Office expenses | | 94,656 | 11,597 | 106,253 | 16,068 | 1,360 | 17,428 | 123,681 | 125,080 |
| Other | | 54,716 | 7,606 | 62,322 | 10,537 | 892 | 11,429 | 73,751 | 87,403 |
| Total expenses before depreciation | | 7,297,670 | 796,008 | 8,093,678 | 1,283,489 | 110,153 | 1,393,642 | 9,487,320 | 8,073,074 |
| Depreciation | | 83,885 | 11,661 | 95,546 | 16,157 | 1,367 | 17,524 | 113,070 | 108,579 |
| Total Expenses, 2020 | | $7,381,555 | $807,669 | $8,189,224 | $ 1,299,646 | $ 111,520 | $1,411,166 | $9,600,390 | |
| Total Expenses, 2019 | | $6,013,792 | $653,388 | $6,667,180 | $ 1,387,634 | $ 126,839 | $1,514,473 | | $8,181,653 |

**See notes to financial statements.**

**HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2019**

| | | Program Services | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of Positions | Regular Education | Special Education | Total | Management and General | Fundraising | Total | Total Expenses |
| Personnel Services Costs | | | | | | | | |
| Administrative staff personnel | 14 | $ 558,907 | $ 7,205 | $ 566,112 | $ 794,523 | $ 64,543 | $ 859,066 | $1,425,178 |
| Instructional personnel | 49 | 2,840,206 | 447,359 | 3,287,565 | - | - | - | 3,287,565 |
| Non-instructional personnel | 2 | 53,943 | - | 53,943 | 71,253 | - | 71,253 | 125,196 |
| Total Personnel Services Costs | | 3,453,056 | 454,564 | 3,907,620 | 865,776 | 64,543 | 930,319 | 4,837,939 |
| Employee benefits and payroll taxes | | 864,808 | 114,151 | 978,959 | 217,415 | 16,208 | 233,623 | 1,212,582 |
| Pension | | 68,309 | 8,992 | 77,301 | 17,127 | 1,277 | 18,404 | 95,705 |
| Management company fees | | 143,284 | - | 143,284 | - | - | - | 143,284 |
| Legal fees | | - | - | - | 16,243 | - | 16,243 | 16,243 |
| Accounting and audit fees | | - | - | - | 38,646 | - | 38,646 | 38,646 |
| Other purchased, professional and consulting services | | 448,477 | 30,506 | 478,983 | 111,002 | 13,882 | 124,884 | 603,867 |
| Occupancy | | 330,695 | 3,658 | 334,353 | 6,967 | 519 | 7,486 | 341,839 |
| Repairs and maintenance | | 41,332 | 5,441 | 46,773 | 10,362 | 773 | 11,135 | 57,908 |
| Insurance | | 27,231 | 3,585 | 30,816 | 6,827 | 509 | 7,336 | 38,152 |
| Supplies | | 179,076 | - | 179,076 | - | - | - | 179,076 |
| Equipment and furnishings | | 32,322 | - | 32,322 | 1,771 | - | 1,771 | 34,093 |
| Staff development | | 14,873 | - | 14,873 | 10,254 | 24,514 | 34,768 | 49,641 |
| Marketing and recruitment | | 2,878 | - | 2,878 | 23,362 | - | 23,362 | 26,240 |
| Food service | | 17,663 | 2,325 | 19,988 | 4,429 | 330 | 4,759 | 24,747 |
| Student services | | 160,629 | - | 160,629 | - | - | - | 160,629 |
| Office expenses | | 89,275 | 11,752 | 101,027 | 22,384 | 1,669 | 24,053 | 125,080 |
| Other | | 62,386 | 8,212 | 70,598 | 15,639 | 1,166 | 16,805 | 87,403 |
| Total expenses before depreciation | | 5,936,294 | 643,186 | 6,579,480 | 1,368,204 | 125,390 | 1,493,594 | 8,073,074 |
| Depreciation | | 77,498 | 10,202 | 87,700 | 19,430 | 1,449 | 20,879 | 108,579 |
| Total Expenses | | $6,013,792 | $653,388 | $6,667,180 | $ 1,387,634 | $ 126,839 | $1,514,473 | $8,181,653 |

**See notes to financial statements.**

# HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

## STATEMENTS OF CASH FLOWS

## YEARS ENDED JUNE 30, 2020 AND 2019

| | 2020 | 2019 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Increase (decrease) in net assets | $ 375,642 | $ (145 682) |
| Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities: | | |
| Depreciation | 113,070 | 108,579 |
| Loss on disposal of property and equipment | 25,867 | 20,373 |
| (Increase) decrease in: | | |
| Unconditional promises to give | (40,040) | (6,769) |
| Accounts receivable | (10,835) | 2,575 |
| Prepaid expenses and other current assets | - | 7,362 |
| Security deposit | - | (29,750) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 132,934 | 71,500 |
| Salaries, payroll taxes and benefits payable | 40,196 | 59,355 |
| Refundable advance - New York City Department of Education | (60,991) | 60,991 |
| Deferred rent | 13,251 | 5,409 |
| Net Cash Provided By Operating Activities | 589,094 | 153,943 |
| **Cash Flows From Investing Activities** | | |
| Purchase of property and equipment | (64,752) | (264,043) |
| **Cash Flows From Financing Activities** | | |
| Payment of capital lease obligation | (119,880) | (45,627) |
| Proceeds from loan payable | 1,197,657 | - |
| Net Cash Provided (Used) By Financing Activities | 1,077,777 | (45,627) |
| Net increase (decrease) in cash and restricted cash | 1,602,119 | (155,727) |
| Cash and restricted cash, beginning of year | 1,506,688 | 1,662,415 |
| **Cash and Restricted Cash, End of Year** | $3,108,807 | $1,506,688 |
| **Supplementary Disclosure of Cash Flow Information** | | |
| Interest paid | $ 7,255 | $ 9,929 |

During 2019, $218,272 in equipment was acquired under capital leases.

**See notes to financial statements.**

**HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

## Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

Hyde Leadership Charter School - Brooklyn's ("HLCS") mission is to develop the deeper character and unique potential of each student. Using the Hyde Process for family-based character education, HLCS unites parents, teachers and students in helping each student achieve his or her best academically and in sports, the arts, and the community. Rigorous learning attitudes, leadership skills and a social conscience lay the foundation for each student's success in college and fulfillment in life. HLCS served grades K-7 in 2020 and K-6 in 2019. The Hyde Middle School opened in September 2018.

b - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to HLCS, that is, in substance, unconditional. Conditional promises to give - those with a measurable performance-related or other barrier and right of return of assets transferred or release of a promisor's obligation to transfer assets in the future - are not recognized until the conditions on which they depend have been met.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

HLCS uses the allowance method to account for uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

c - Property and Equipment

Property and equipment are stated at cost and are being depreciated using the straight-line method over the estimated useful lives of the assets.

d - Deferred Rent

HLCS records rent expense associated with its lease on the straight-line basis over the term of the lease. The difference between the straight-line expense and amounts paid in accordance with the terms of the lease is recorded as a liability and an expense in the accompanying financial statements.

e - Advertising and Promotion Costs

Advertising and promotion costs are charged to operations when the advertising first takes place.

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

f - Financial Statement Presentation
HLCS' financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require HLCS to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions
Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of HLCS. These net assets may be used at the discretion of HLCS' management and Board of Directors.

Net Assets With Donor Restrictions
Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of HLCS or passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

g - Functional Allocation of Expenses
The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of HLCS' expenses are directly related to program activities. The expenses that are allocated include personnel services costs, employee benefits and payroll taxes, depreciation, insurance, repairs and maintenance, office expenses and interest, which are allocated based on employee time and effort.

h - Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

i - Tax Status
HLCS is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

j - Subsequent Events
HLCS has evaluated subsequent events through October 28, 2020, the date that the financial statements are considered available to be issued.

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

k - Prior Year Information
Certain 2019 amounts have been reclassified for comparative purposes.

l - New Accounting Pronouncements
During 2020, HLCS adopted Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves the current guidance about whether a transfer of assets is a contribution or exchange transaction. In addition, the update requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a measurable, performance-related barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The adoption of this ASU resulted in no significant changes in the way HLCS recognizes revenue.

In 2019, HLCS adopted ASU No. 2016-18*, Statement of Cash Flows (Topic 230).* The ASU requires 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. Therefore, restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principles of ASU 2014-09 is to clarify revenue recognition standards for contracts with customers. ASU 2014-09 is effective for fiscal years beginning after December 15, 2019. HLCS is currently evaluating the impact of ASU 2014-09 on its financial statements.

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*." The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position for all leases with terms longer than 12 months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. HLCS is currently evaluating the impact of ASU 2016-02 on its financial statements.

**HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

## Note 2 - Information Regarding Liquidity and Availability

HLCS operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. More specifically, for fiscal year 2019, HLCS budgeted a slight deficit of revenue over expenses due to the additional expenses to be incurred to open the new middle school; adding new staffing and facilities to accommodate the charter approved grade 7. A substantial portion of annual revenue is comprised of the per pupil allocation from the New York Department of Education, and revenue from other sources earned during the year. HLCS considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to management and general and fundraising activities undertaken to support those services.

HLCS regularly monitors liquidity to meet its operating needs and other commitments and obligations. Management prepares regular cash flow projections to determine liquidity needs, and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover ninety days of general expenditures.

HLCS' financial assets as of June 30, 2020 and 2019 and those available within one year to meet cash needs for general expenditures within one year are summarized as follows:

| | 2020 | 2019 |
|---|---|---|
| Financial Assets at Year End: | | |
| Cash and restricted cash | $3,108,807 | $1,506,688 |
| Contributions receivable | 205,796 | 165,756 |
| Accounts receivable | 12,087 | 1,252 |
| Total Financial Assets | 3,326,690 | 1,673,696 |
| Less: Amounts not Available to be Used Within One Year: | | |
| Board designated fund | (15,000) | (15,000) |
| Restricted cash - New York City Department of Education reserve | (75,207) | (75,176) |
| Financial Assets Available to Meet General Expenditures within One Year | $3,236,483 | $1,583,520 |

In addition to these financial assets available within one year, HLCS' board designated funds could be made available at any time to meet cash needs for general expenditures at the discretion of the board.

**HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

## Note 3 - Board Designated Net Assets

HLCS established a board designated fund to promote its long-term financial stability.

## Note 4 - Promises to Give

a - Unconditional Promises to Give
Unconditional promises to give are due within one year. Uncollectible promises are expected to be insignificant.

b - Conditional Promises to Give
A portion of HLCS's revenue is derived from cost-reimbursable federal and state contracts and grants, which are contingent upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when HLCS has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures, if any, are reported as refundable advances in the statement of financial position. During 2020, HLCS received cost-reimbursable grants of $1,940,661 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred. There were no advance payments received as of June 30, 2020.

## Note 5 - Property and Equipment

A summary of property and equipment at June 30 is as follows:

| | Life | 2020 | 2019 |
|---|---|---|---|
| Building equipment | 5 years | $ 135,495 | $ 127,295 |
| Computer equipment | 2-7 years | 832,593 | 819,584 |
| Furniture and fixtures | 5-7 years | 119,667 | 113,361 |
| | | 1,087,755 | 1,060,240 |
| Less: Accumulated depreciation | | (738,115) | (636,415) |
| | | $ 349,640 | $ 423,825 |

HYDE LEADERSHIP CHARTER SCHOOL - BROOKLYN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

**Note 6 - Capital Lease Obligation**

During 2019, HLCS entered into two capital lease agreements for computer equipment with terms expiring through October 2021. The assets and liabilities under the capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the shorter of their related lease terms estimated productive lives, and such amounts are included in depreciation expense in the statement of activities. Property held under the capital leases totaled $115,100 (net of accumulated depreciation of $65,936) and $184,621 (net of accumulated depreciation of $33,651) at June 30, 2020 and 2019, respectively. During the year ended June 30, 2020, HLCS disposed $25,867 (net of accumulated depreciation of $11,370) of capital lease assets.

Capital lease obligations at June 30, 2020 provide for future minimum payments as follows:

| Year Ending June 30, | |
|---|---|
| 2021 | $52,475 |
| 2022 | 1,700 |
| | 54,175 |
| Less: Amount representing interest | (1,410) |
| Principal Amount | $52,765 |

**Note 7 - Resident Student Enrollment**

HLCS' per pupil allocation is determined by the New York State Education Department using New York State's charter school funding formula.

In 2019, HLCS received per pupil allocation payments from the New York Department of Education in excess of the actual per pupil allocation for the year ended June 30, 2019. The excess allocation received was recorded as a refundable advance as of June 30, 2019, and was recognized as revenue in 2020. HLCS did not receive an excess allocation of per pupil funding in 2020.

**Note 8 - Loan Payable**

On May 14, 2020, HCLS received a loan totaling $1,197,657 under the Paycheck Protection Program administered by the U.S. Small Business Administration. The loan bears interest at 1% per annum, is due on May 14, 2022, and may be forgiven if HCLS meets certain employee retention requirements and the funds are used for eligible expenses.

**Note 9 - Restricted Cash**

The New York City Department of Education requires HLCS to maintain a $75,000 cash reserve.

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total of the same such amounts in the statement of cash flows:

| | 2020 | 2019 |
|---|---|---|
| Cash | $3,033,600 | $1,431,512 |
| Restricted cash - New York City Department of Education Reserve | 75,207 | 75,176 |
| Total Cash and Restricted Cash Shown in the Statement of Cash Flows | $3,108,807 | $1,506,688 |

**Note 10 - Retirement Plan**

HLCS maintained a retirement plan for all eligible employees through a Professional Employer Organization. HLCS' contributions to the plan totaled $112,833 and $95,705 for the years ended June 30, 2020 and 2019, respectively.

**Note 11 - Concentration of Credit Risk**

HLCS' cash is maintained in a financial institution in New York, which is insured by the Federal Deposit Insurance Corporation up to $250,000.

**Note 12 - Commitments and Contingencies**

a - As part of a building utilization plan with the New York City Department of Education, HLCS will be permanently sited in PS 328. The Department provides utilities and other maintenance and security services for the building during regular school hours.

**Note 12 - Commitments and Contingencies (continued)**

b - In September 2018, HCLS entered into a lease agreement to occupy space for its middle school, which expires August 31, 2023. HCLS will occupy one floor in the first year of the lease, two floors in the second year of the lease, and three floors during the third year until expiration of the lease.

Approximate minimum rental payments under the lease are as follows:

| Year Ending June 30, | |
|---|---|
| 2021 | $1,012,000 |
| 2022 | 1,098,000 |
| 2023 | 1,131,000 |
| Thereafter, through August 31, 2023 | 189,000 |

Rent expense for the years ended June 30, 2020 and 2019 was $667,751 and $302,909, respectively.

c - HLCS has retained Hyde Foundation to provide educational materials and various consulting and management services including training and accreditation review. A fee equal to approximately 2% in 2020 and 2019 of HLCS's annual aggregate pupil funding allocated by the New York City Department of Education is due and payable in three annual installments. The agreement is currently being renegotiated. Total fees paid to Hyde Foundation amounted to approximately $172,000 and $143,000 for the years ended June 30, 2020 and 2019, respectively.

d - Government supported projects are subject to audit by the applicable granting agency.

e - In March 2020, the United Stated of America declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, HLCS closed the school and suspended some of its program activities at the direction of state and local governmental authorities. Management immediately began to assess the impact of the school closure and took steps to mitigate that impact by migrating all classes to a remote learning environment. HLCS distributed computers to all students and internet hotspots were given to students in need. HLCS applied for and received a $1,197,657 loan under the Paycheck Protection Program established by the federal CARES Act program. Management believes that its current financial assets are sufficient to support HLCS's operations on an ongoing basis.

**SUPPLEMENTARY INFORMATION**

LUTZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP
551 FIFTH AVENUE - SUITE 400, NEW YORK, NY 10176
212-697-2299 FAX: 212-949-1768

# 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

To the Board of Directors of
Hyde Leadership Charter School - Brooklyn

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 Hyde Leadership Charter School - Brooklyn (a nonprofit organization), 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 the financial statements, and have issued our report thereon dated October 28, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hyde Leadership Charter School - Brooklyn's internal control over financial reporting (internal control) as a basis for designing 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 Hyde Leadership Charter School - Brooklyn's internal control. Accordingly, we do not express an opinion on the effectiveness of Hyde Leadership Charter School - Brooklyn'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 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 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. Other deficiencies in internal control that were not significant were communicated to those charged with governance in a separate letter dated October 28, 2020.

LUTZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hyde Leadership Charter School - Brooklyn'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 Hyde Leadership Charter School - Brooklyn's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hyde Leadership Charter School - Brooklyn's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lutz + Carr, LLP

New York, New York
October 28, 2020