

**AMBER CHARTER SCHOOL AND AFFILIATES**

**NEW YORK, NEW YORK**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**OTHER FINANCIAL INFORMATION**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2018**

**(With Comparative Totals for 2017)**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Amber Charter School and Affiliates

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Amber Charter School and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Amber Charter School and Affiliates as of June 30, 2018, and the changes in their net assets and their 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**

The consolidated financial statements of Amber Charter School and Affiliates for the year ended June 30, 2017 were audited by another auditor who expressed an unmodified opinion on those statements in their report dated October 31, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

**Other Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2018 on our consideration of Amber Charter School and Affiliates' 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 Amber Charter School and Affiliates' internal control over financial reporting and compliance.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 24, 2018

AMBER CHARTER SCHOOL AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018  
(With Comparative Totals for 2017)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 4,593,499	\$ 3,366,744
Grants and contracts receivable	514,931	516,236
Other receivables	331,608	301,466
Prepaid expenses	<u>24,618</u>	<u>23,602</u>
TOTAL CURRENT ASSETS	5,464,656	4,208,048
<u>PROPERTY AND EQUIPMENT, net</u>	4,022,746	4,271,211
<u>OTHER ASSETS</u>		
Security deposits	<u>73,608</u>	<u>100,448</u>
TOTAL ASSETS	<u>\$ 9,561,010</u>	<u>\$ 8,579,707</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current maturities of long-term debt	\$ 65,983	\$ 62,125
Accounts payable and accrued expenses	203,747	365,267
Accrued payroll and benefits	1,075,598	932,673
Deferred revenue	<u>8,353</u>	<u>10,295</u>
TOTAL CURRENT LIABILITIES	1,353,681	1,370,360
<u>OTHER LIABILITIES</u>		
Long-term debt, net of unamortized debt issuance costs of \$80,194 and \$84,529, respectively	2,032,769	2,094,418
Deferred lease liability	<u>301,178</u>	<u>-</u>
	2,333,947	2,094,418
<u>NET ASSETS, unrestricted</u>	<u>5,873,382</u>	<u>5,114,929</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,561,010</u>	<u>\$ 8,579,707</u>

The accompanying notes are an integral part of the consolidated financial statements.

AMBER CHARTER SCHOOL AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2018  
 (With Comparative Totals for 2017)

	Year ended June 30,	
	2018	2017
Revenue, gains and other support:		
Public school district:		
Resident student enrollment	\$ 11,171,646	\$ 8,880,655
Students with disabilities	112,212	3,200
Grants and contracts:		
State and local	73,128	235,712
Federal - Title and IDEA	535,276	271,403
Federal - other	47,714	370,060
Food service / Child nutrition program	399,604	298,415
NYC DOE Rental Assistance	825,914	341,459
After school program	158,973	147,249
	<b>TOTAL REVENUE, GAINS AND OTHER SUPPORT</b>	<b>13,324,467</b>
		<b>10,548,153</b>
Expenses:		
Program:		
Regular education	10,148,478	9,085,825
Special education	515,804	-
	<b>TOTAL PROGRAM EXPENSES</b>	<b>10,664,282</b>
		<b>9,085,825</b>
Management and general	2,134,531	1,347,814
Fundraising and special events	44,784	61,208
	<b>TOTAL OPERATING EXPENSES</b>	<b>12,843,597</b>
		<b>10,494,847</b>
	<b>SURPLUS FROM SCHOOL OPERATIONS</b>	<b>480,870</b>
		<b>53,306</b>
Support and other revenue:		
Contributions		
Foundations	6,436	10,000
Individuals	11,358	9,021
Corporations	1,229	4,597
In-kind	60,000	-
Fundraising	169,582	159,762
Investment income	12,125	-
Rental income	11,400	16,350
Miscellaneous income	5,453	985
	<b>TOTAL SUPPORT AND OTHER REVENUE</b>	<b>277,583</b>
		<b>200,715</b>
	<b>CHANGE IN NET ASSETS</b>	<b>758,453</b>
		<b>254,021</b>
Net assets at beginning of year	<b>5,114,929</b>	<b>4,860,908</b>
	<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 5,873,382</b>
		<b>\$ 5,114,929</b>

The accompanying notes are an integral part of the consolidated financial statements.

AMBER CHARTER SCHOOL AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals for 2017)

	Year ended June 30,								
	2018							2017	
	Amber Charter School								
	No. of Positions	Program Services			Supporting Services			Total	Total
Regular Education		Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total			
Personnel Services Costs:									
Administrative staff personnel	26	\$ 283,676	\$ 4,081	\$ 287,757	\$ 1,151,029	\$ -	\$ 1,151,029	\$ 1,438,786	\$ 1,467,722
Instructional personnel	75	3,881,949	243,740	4,125,689	-	-	-	4,125,689	3,444,027
Non-instructional personnel	10	786,570	92,136	878,706	-	-	-	878,706	809,484
Total salaries and staff	111	4,952,195	339,957	5,292,152	1,151,029	-	1,151,029	6,443,181	5,721,233
Fringe benefits and payroll taxes		1,519,165	98,897	1,618,062	336,083	-	336,083	1,954,145	1,386,211
Retirement		168,634	11,910	180,544	38,572	-	38,572	219,116	161,001
Professional development		99,335	3,655	102,990	7,913	-	7,913	110,903	93,723
Legal services		-	-	-	15,732	-	15,732	15,732	148
Accounting / Audit		-	-	-	33,106	-	33,106	33,106	30,095
Professional services		495,865	24,466	520,331	182,741	25,070	207,811	728,142	740,803
Student and staff recruitment		42,355	1,834	44,189	5,168	-	5,168	49,357	56,234
Supplies / Materials		196,581	2,745	199,326	-	-	-	199,326	313,485
Office expenses		51,921	2,166	54,087	106,736	3,665	110,401	164,488	132,729
Food service		395,674	-	395,674	-	-	-	395,674	317,461
Student services		46,041	-	46,041	-	-	-	46,041	47,854
Insurance		61,844	4,689	66,533	14,264	-	14,264	80,797	98,562
Building and Land Rent / Lease		1,171,342	8,984	1,180,326	131,147	-	131,147	1,311,473	448,500
Utilities		181,299	5,038	186,337	25,628	-	25,628	211,965	173,728
Non-capitalized equipment and furnishings		1,443	17	1,460	162	-	162	1,622	9,944
Technology		89,562	1,534	91,096	10,122	-	10,122	101,218	73,110
Repairs and maintenance		69,512	1,007	70,519	7,836	-	7,836	78,355	68,501
Depreciation and amortization		373,607	4,770	378,377	42,042	-	42,042	420,419	371,119
Interest expense		121,955	2,240	124,195	13,800	-	13,800	137,995	152,219
Other		110,148	1,895	112,043	12,450	16,049	28,499	140,542	98,187
		<u>\$ 10,148,478</u>	<u>\$ 515,804</u>	<u>\$ 10,664,282</u>	<u>\$ 2,134,531</u>	<u>\$ 44,784</u>	<u>\$ 2,179,315</u>	<u>\$ 12,843,597</u>	<u>\$ 10,494,847</u>

The accompanying notes are an integral part of the consolidated financial statements.

AMBER CHARTER SCHOOL AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals for 2017)

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 758,453	\$ 254,021
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	420,419	371,119
Amortization of debt issuance costs included in interest expense	4,335	5,376
Write-off of loan closing costs	72,145	-
Bad debt expense	13,270	-
Interest paid at refinancing	-	12,557
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	1,305	(52,327)
Other receivables	(43,412)	(159,264)
Prepaid expenses	(1,016)	(93,706)
Security deposits	26,840	-
Accounts payable and accrued expenses	(161,520)	226,271
Accrued payroll and benefits	142,925	173,306
Deferred revenue	(1,942)	(95)
Deferred lease liability	<u>301,178</u>	<u>-</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,532,980	737,258
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Additions to property and equipment	<u>(244,099)</u>	<u>(688,968)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(244,099)</u>	<u>(688,968)</u>
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayment of long-term debt	(62,126)	(50,186)
Deferred financing costs	<u>-</u>	<u>(56,098)</u>
NET CASH USED FOR FINANCING ACTIVITIES	<u>(62,126)</u>	<u>(106,284)</u>
NET INCREASE (DECREASE) IN CASH	1,226,755	(57,994)
Cash at beginning of year	<u>3,366,744</u>	<u>3,424,738</u>
CASH AT END OF YEAR	<u>\$ 4,593,499</u>	<u>\$ 3,366,744</u>

AMBER CHARTER SCHOOL AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals for 2017)

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Interest paid	<u>\$ 133,660</u>	<u>\$ 146,844</u>
<u>NON-CASH FINANCING ACTIVITIES</u>		
Additional loan obligations	<u>\$ -</u>	<u>\$ 43,155</u>
Loan cost financed	<u>\$ -</u>	<u>\$ (30,598)</u>
Interest paid at refinancing	<u>\$ -</u>	<u>\$ (12,557)</u>

The accompanying notes are an integral part of the consolidated financial statements.

## AMBER CHARTER SCHOOL AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

(With Comparative Totals for 2017)

#### NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### The Organization

Amber Charter School is an education corporation that has authority to operate the Charter Schools as described below. Founded by Community Association of Progressive Dominicans/Asociación Comunal de Dominicanos Progresistas, Amber was the first charter school in New York City created by a community-based organization. Amber's mission is to provide its students with an academically rigorous and well-rounded education, along with strong character development, that will enable them to prosper in top middle schools and beyond. To fulfill this mission, Amber provides students with the ability to demonstrate proficiency and/or distinction in all New York State Learning Standards. Amber's funding is primarily from per-student funding provided by New York City; additionally, Amber receives government grants and contracts and private contributions.

Amber East Harlem ("East Harlem") operates in the borough of Manhattan, New York. On April 4, 2000, the Board of Regents of the University of the State of New York granted East Harlem a provisional charter valid for a term of five years and renewable upon expiration. East Harlem obtained a renewal through June 30, 2020.

Amber Kingsbridge ("Kingsbridge") operates in the borough of Bronx, New York. In August 2014, the Board of Regents of the University of the State of New York granted Kingsbridge a provisional charter, which expires July 31, 2020.

Amber Schools Foundation, Inc. ("Foundation") was organized under the laws of the State of New York as a not-for-profit under subparagraph (c)(3) of Section 501 of the Not-For-Profit Corporation law in March 2014. The Foundation is established to support the functions of, and to assist in carrying out the educational and charitable purposes of, Amber East Harlem and Amber Kingsbridge.

Amber Charter School is the sole member of 652 West 187<sup>th</sup> Street, LLC ("652 West"), 3120 Corlear Avenue, LLC ("3120 Corlear") and 220 East 106<sup>th</sup> Street, LLC ("220 East") (collectively, the "LLC's"), all limited liability companies established under the laws of the state of New York. 652 West and 3120 Corlear were established to hold lease agreements with unrelated parties for the property in which Amber Kingsbridge operates. Such properties were subsequently sublet to Amber Kingsbridge. 220 East is a co-borrower with Amber East Harlem on the mortgage payable and line of credit arrangement with Raza Development Fund, Inc. ("Raza").

##### Principals of consolidation

The accompanying consolidated financial statements include the accounts of East Harlem, Kingsbridge, Foundation, 652 West, 3120 Corlear and 220 East, (collectively referred to as the "Organization"). Amber Charter School maintains an economic interest and control in the Foundation through common board membership and the ability to elect the Foundation's board members. The only activity in the LLC's during 2018 and 2017 was rental income from Amber Charter School and rent expense to an unrelated party as disclosed in Note B. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

AMBER CHARTER SCHOOL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Financial statement presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

*Permanently restricted* – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets at June 30, 2018 or 2017.

*Temporarily restricted* – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. The Organization had no temporarily restricted net assets at June 30, 2018 or 2017.

*Unrestricted* – The net assets over which the Governing Board has discretionary control to use in carrying on the Organization's operations in accordance with the guidelines established by the Organization. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

Revenue from state and local governments resulting from the Organization's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Organization when qualifying expenditures are incurred and billable or requirements of the grant are met.

Contributions are recognized as revenue in the year the pledge is received and documented.

Contributions

Contributions and unconditional promises to give are recorded as unrestricted, temporarily or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

AMBER CHARTER SCHOOL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Cash

Cash balances are maintained at certain financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Grants and contracts receivable and other receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2018 or 2017.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to thirty-five years. Leasehold improvements are amortized over the lesser of the lease term or useful life.

Deferred lease liability

The Organization leases a facility. The lease contains pre-determined fixed escalation of the base rent. In accordance with GAAP, the Organization recognizes the related rent expense on a straight-line basis over the lease term and records the difference between the recognized rental expense and the amounts payable under the lease as a deferred lease liability. The amount of additional rent expense recognized in excess of the amounts paid under the lease was approximately \$301,000 for the year ended June 30, 2018.

Deferred revenue

The Organization records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

Tax exempt status

Amber Charter School and the Foundation are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, are exempt from federal and state taxes on income. Amber Charter School and the Foundation file Form 990 tax returns in the U.S. federal jurisdiction. In addition, the Foundation files a CHAR 500 in New York State. The LLCs are single member LLCs and are disregarded for tax purposes. The tax returns for the years ended June 30, 2015 through June 30, 2018 are still subject to potential audit by the IRS. Management of Amber Charter School and the Foundation believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

AMBER CHARTER SCHOOL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Contributed services

The Organization receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. In addition, the Organization received transportation services, metro cards, special education services and physical, occupational, and speech therapy for students from the local district. The Organization was unable to determine a value for these services.

The Organization received contributed property and equipment which was valued at \$60,000 for the year ended June 30, 2018. No contributed property was received for the year ended June 30, 2017. These amounts are included in in-kind revenue in the accompanying consolidated statement of activities and changes in net assets.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution.

Marketing and recruiting costs

The Organization expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$49,400 and \$56,200 for the years ended June 30, 2018 and 2017, respectively.

Use of estimates in the preparation of financial statements

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Comparative information for the year ended June 30, 2017

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. 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 Organization's financial statements for the year ended June 30, 2017 from which the summarized information was derived.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 24, 2018, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, except as disclosed in Note L.

AMBER CHARTER SCHOOL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE B: SCHOOL FACILITIES

The Organization leases the facility for the Kingsbridge location. On April 15, 2016, 652 West entered into a non-cancelable operating lease agreement with an unrelated third party for facility space originally expiring in June 2018. This property was sublet to Kingsbridge. However, Kingsbridge vacated the premises in September 2017, at which time the sublease with 652 West was terminated. In December 2017, 652 West reached a settlement agreement with the landlord and the lease was terminated. Rent expense incurred under this lease was approximately \$76,600 and \$449,000 for the years ended June 30, 2018 and 2017, respectively.

In May 2017, 3120 Corlear entered into a 35-year non-cancelable operating lease agreement with an unrelated third party for facility space, commencing in August 2017 and expiring in July 2052. The property was sublet to Kingsbridge in an agreement that commences in August 2017 and expires in July 2019. This sublease has an option to renew every two years for thirty-five years. Total rental expense under the third party lease was approximately \$763,700 for the year ended June 30, 2018. In conjunction with this facility lease, 3120 Corlear paid a security deposit of \$61,573 which is included in security deposits on the accompanying consolidated statement of financial position at June 30, 2018. The remaining \$12,035 of security deposits represent deposits on electric meters.

Future expected minimum payments of this lease are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 820,200
2020	881,700
2021	940,800
2022	972,900
2023	975,300
Thereafter	<u>32,092,000</u>
	<u>\$ 36,682,900</u>

AMBER CHARTER SCHOOL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 335,000	\$ 335,000
Building	4,821,399	4,873,370
Furniture and fixtures	427,443	415,255
Computers and equipment	1,271,879	1,194,080
Software	55,860	55,860
Leasehold improvements	<u>412,690</u>	<u>314,995</u>
	7,324,271	7,188,560
Less accumulated depreciation and amortization	<u>3,301,525</u>	<u>2,917,349</u>
	<u>\$ 4,022,746</u>	<u>\$ 4,271,211</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was approximately \$420,400 and \$371,100, respectively.

NOTE D: LONG-TERM DEBT

Amber Charter School had a mortgage payable to a bank dated September 29, 2011, which was collateralized by East Harlem's real estate in the city of New York. The loan was payable in monthly installments of \$17,316, including interest at 7% per annum, with a balloon payment of approximately \$2,235,000 due at maturity on October 1, 2016. In October 2016, East Harlem entered into a loan modification agreement with the bank extending the loan's maturity to December 28, 2016 under the same terms. On December 30, 2016, Amber Charter School, with 220 East as a co-borrower, refinanced the mortgage with the bank by entering into an amended and restated loan and security agreement.

Long-term debt is summarized as follows:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Note payable, due in monthly installments of \$16,315, including interest at 6.04%, through December 2036. The note is collateralized by real property.	\$ 2,178,946	\$ 2,241,072
Less unamortized debt issuance costs	(80,194)	(84,529)
Less current portion of long-term debt	<u>(65,983)</u>	<u>(62,125)</u>
	<u>\$ 2,032,769</u>	<u>\$ 2,094,418</u>

AMBER CHARTER SCHOOL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE D: LONG-TERM DEBT, Cont'd

Future maturities of long term debt are summarized as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 65,983
2020	70,081
2021	74,433
2022	79,055
2023	83,964
Thereafter	<u>1,805,430</u>
	<u>\$ 2,178,946</u>

NOTE E: LINE OF CREDIT

Amber Charter School also has a secured \$2,000,000 line of credit with a bank with interest at 5.625% per annum, collateralized by the Amber Charter School's assets. There was no balance outstanding as of June 30, 2018 and 2017.

Borrowings under the line of credit and note payable described in Note D are subject to a certain financial covenant and reporting requirements. As of June 30, 2018, the Organization was in compliance with all covenants.

NOTE F: OPERATING RESERVE

During the year ended June 30, 2013, Amber Charter School's board of trustees adopted an operating reserve policy to ensure the stability of Amber Charter School's mission. The policy requires Amber Charter School to establish an operating reserve fund with a minimum of \$250,000. Such funds shall be segregated from Amber Charter School's operating cash and shall not be used for normal operations. As of June 30, 2018, Amber Charter School had not yet established the operating reserve fund. However, management believes that Amber Charter School has adequate liquidity available, and that the segregation and restriction of such funds will not have an adverse effect on the operations of the school.

AMBER CHARTER SCHOOL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE G: OPERATING LEASES AND COMMITMENTS

The Organization leases office equipment under non-cancelable lease agreements expiring at various dates through October 2032.

The future minimum payments on these agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 24,100
2020	12,100
2021	6,100
2022	5,200
2023	5,200
Thereafter	<u>47,500</u>
	<u>\$ 100,200</u>

NOTE H: RETIREMENT PLAN

The Organization sponsors a defined contribution 403(b) plan covering all eligible employees. The Organization contributes a percentage of compensation based on job classification, 4% for administration staff and 3% for instructional staff. Contributions on behalf of union employees are in accordance with the union agreement, which specified a 5% contribution for the years ended June 30, 2018 and 2017. The Organization made contributions of approximately \$219,000 and \$161,000 for the years ended June 30, 2018 and 2017, respectively.

NOTE I: UNION AGREEMENT

At June 30, 2018, the Organization had 111 employees, of which 41 are represented by a union. The union agreement covering these employees expired on August 31, 2018. See Note L for further details on negotiations.

NOTE J: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Organization. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying consolidated financial statements. Accordingly, no amounts have been provided in the accompanying consolidated financial statements for such potential claims.

AMBER CHARTER SCHOOL AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE K: CONCENTRATIONS

At June 30, 2018 and 2017, approximately 80% and 89%, respectively of grants and contracts receivable are due from New York State relating to certain grants.

During the years ended June 30, 2018 and 2017, 85% and 84% respectively of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE L: SUBSEQUENT EVENT

The Organization has been unable to reach an agreement to renew the union agreement which expired August 31, 2018. The National Labor Relations Board has filed a claim for unfair labor practice as no agreement has been reached. However, management believes there is no penalty or financial ramification for this claim.

In August 2018, the New York State Education Department (NYSED) notified the Organization that it had over-allocated \$48,400 in Title IIA funding to the Organization for the year ended June 30, 2018. NYSED will reduce the Organization's Title IIA funding for a period of up to five years to recoup the over-allocated funding. The Organization has not accounted for this over-allocated funding as a liability as of June 30, 2018.

**AMBER CHARTER SCHOOL AND AFFILIATES**

**OTHER FINANCIAL INFORMATION**

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees  
Amber Charter School and Affiliates

We have audited the consolidated financial statements of Amber Charter School and Affiliates as of and for the year ended June 30, 2018, and have issued our reports thereon dated October 24, 2018, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements for the year ended June 30, 2018, as a whole.

*Mengel, Metzger, Barr & Co. LLP*

Rochester, New York  
October 24, 2018

AMBER CHARTER SCHOOL

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

<u>ASSETS</u>	Amber Charter School			Amber Schools Foundation Inc.	Eliminations	Consolidated Total
	Amber East Harlem	Amber Kingsbridge	Total			
<u>CURRENT ASSETS</u>						
Cash	\$ 1,603,656	\$ 1,171,090	\$ 2,774,746	\$ 1,818,753	\$ -	\$ 4,593,499
Grants and contracts receivable	333,625	181,306	514,931	-	-	514,931
Other receivables	214,340	117,268	331,608	-	-	331,608
Prepaid expenses	20,983	3,635	24,618	-	-	24,618
Related party receivables (payables)	2,709,120	(1,154,127)	1,554,993	(1,554,993)	-	-
TOTAL CURRENT ASSETS	4,881,724	319,172	5,200,896	263,760	-	5,464,656
<u>PROPERTY AND EQUIPMENT, net</u>	3,678,822	343,924	4,022,746	-	-	4,022,746
<u>OTHER ASSETS</u>						
Security deposits	730	72,878	73,608	-	-	73,608
TOTAL ASSETS	\$ 8,561,276	\$ 735,974	\$ 9,297,250	\$ 263,760	\$ -	\$ 9,561,010
<u>LIABILITIES AND NET ASSETS</u>						
<u>CURRENT LIABILITIES</u>						
Current maturities of long-term debt	\$ 65,983	\$ -	\$ 65,983	\$ =	\$ -	\$ 65,983
Accounts payable and accrued expenses	151,762	51,985	203,747	-	-	203,747
Accrued payroll and benefits	769,452	306,146	1,075,598	-	-	1,075,598
Deferred revenue	1,090	7,263	8,353	-	-	8,353
TOTAL CURRENT LIABILITIES	988,287	365,394	1,353,681	-	-	1,353,681
<u>OTHER LIABILITIES</u>						
Long-term debt, net of unamortized debt issuance costs of \$80,194	2,032,769	-	2,032,769	-	-	2,032,769
Deferred lease liability	-	301,178	301,178	-	-	301,178
	2,032,769	301,178	2,333,947	-	-	2,333,947
<u>NET ASSETS, unrestricted</u>	5,540,220	69,402	5,609,622	263,760	-	5,873,382
TOTAL LIABILITIES AND NET ASSETS	\$ 8,561,276	\$ 735,974	\$ 9,297,250	\$ 263,760	\$ -	\$ 9,561,010

AMBER CHARTER SCHOOL

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2018

	Amber Charter School			Amber Schools Foundation Inc.	Eliminations	Consolidated Total
	Amber East Harlem	Amber Kingsbridge	Total			
Revenue, gains and other support:						
Public school district:						
Resident student enrollment	\$ 7,263,940	\$ 3,907,706	\$ 11,171,646	\$ -	\$ -	\$ 11,171,646
Students with disabilities	91,432	20,780	112,212	-	-	112,212
Grants and contracts:						
State and local	55,210	17,918	73,128	-	-	73,128
Federal - Title and IDEA	365,071	170,205	535,276	-	-	535,276
Federal - other	28,788	18,926	47,714	-	-	47,714
Food service / Child nutrition program	260,760	138,844	399,604	-	-	399,604
NYC DOE Rental Assistance	-	825,914	825,914	-	-	825,914
After school program	158,973		158,973			158,973
<b>TOTAL REVENUE, GAINS AND OTHER SUPPORT</b>	<b>8,224,174</b>	<b>5,100,293</b>	<b>13,324,467</b>	<b>-</b>	<b>-</b>	<b>13,324,467</b>
Expenses:						
Program:						
Regular education	6,148,584	3,999,894	10,148,478	-	-	10,148,478
Special education	386,190	129,614	515,804			515,804
<b>TOTAL PROGRAM EXPENSES</b>	<b>6,534,774</b>	<b>4,129,508</b>	<b>10,664,282</b>	<b>-</b>	<b>-</b>	<b>10,664,282</b>
Management and general	1,289,544	844,265	2,133,809	722	-	2,134,531
Fundraising and special events	529		529	44,255		44,784
<b>TOTAL OPERATING EXPENSES</b>	<b>7,824,847</b>	<b>4,973,773</b>	<b>12,798,620</b>	<b>44,977</b>	<b>-</b>	<b>12,843,597</b>
<b>SURPLUS (DEFICIT) FROM SCHOOL OPERATIONS</b>	<b>399,327</b>	<b>126,520</b>	<b>525,847</b>	<b>(44,977)</b>	<b>-</b>	<b>480,870</b>
Support and other revenue:						
Contributions						
Foundations	5,936	500	6,436	-	-	6,436
Individuals	369	100	469	10,889	-	11,358
Corporations	529	-	529	700	-	1,229
Out-of-kind	60,000	-	60,000	-	-	60,000
Fundraising	-	-	-	169,582	-	169,582
Investment income	-	-	-	12,125	-	12,125
Rental income	11,400	-	11,400	-	-	11,400
Miscellaneous income	1,773	2,680	4,453	1,000		5,453
<b>TOTAL SUPPORT AND OTHER REVENUE</b>	<b>80,007</b>	<b>3,280</b>	<b>83,287</b>	<b>194,296</b>	<b>-</b>	<b>277,583</b>
<b>CHANGE IN NET ASSETS</b>	<b>479,334</b>	<b>129,800</b>	<b>609,134</b>	<b>149,319</b>	<b>-</b>	<b>758,453</b>
Net assets (deficit) at beginning of year	5,060,886	(60,398)	5,000,488	114,441		5,114,929
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 5,540,220</b>	<b>\$ 69,402</b>	<b>\$ 5,609,622</b>	<b>\$ 263,760</b>	<b>\$ -</b>	<b>\$ 5,873,382</b>

AMBER EAST HARLEM

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER

YEAR ENDED JUNE 30, 2018

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel Services Costs:								
Administrative staff personnel	17	\$ 178,092	\$ 3,271	\$ 181,363	\$ 725,456	\$ -	\$ 725,456	\$ 906,819
Instructional personnel	52	2,591,205	241,419	2,832,624	-	-	-	2,832,624
Non-instructional personnel	5	563,472	10,348	573,820	-	-	-	573,820
Total salaries and staff	74	3,332,769	255,038	3,587,807	725,456	-	725,456	4,313,263
Fringe benefits and payroll taxes		1,105,243	77,192	1,182,435	227,308	-	227,308	1,409,743
Retirement		127,313	9,743	137,056	27,713	-	27,713	164,769
Professional development		91,999	3,237	95,236	5,792	-	5,792	101,028
Legal services		-	-	-	-	-	-	-
Accounting / Audit		-	-	-	24,526	-	24,526	24,526
Professional services		337,341	17,768	355,109	118,385	-	118,385	473,494
Student and staff recruitment		28,975	1,413	30,388	3,298	-	3,298	33,686
Supplies / Materials		115,651	2,124	117,775	-	-	-	117,775
Office expenses		31,730	1,500	33,230	68,404	529	68,933	102,163
Food service		244,379	-	244,379	-	-	-	244,379
Student services		34,519	-	34,519	-	-	-	34,519
Insurance		60,065	4,596	64,661	13,075	-	13,075	77,736
Utilities		116,241	3,986	120,227	16,480	-	16,480	136,707
Non-capitalized equipment and furnishings		618	11	629	70	-	70	699
Technology		79,229	1,455	80,684	8,965	-	8,965	89,649
Repairs and maintenance		44,300	814	45,114	5,013	-	5,013	50,127
Depreciation and amortization		178,064	3,270	181,334	20,148	-	20,148	201,482
Interest expense		121,955	2,240	124,195	13,800	-	13,800	137,995
Other		98,193	1,803	99,996	11,111	-	11,111	111,107
		<u>\$ 6,148,584</u>	<u>\$ 386,190</u>	<u>\$ 6,534,774</u>	<u>\$ 1,289,544</u>	<u>\$ 529</u>	<u>\$ 1,290,073</u>	<u>\$ 7,824,847</u>

AMBER KINGSBRIDGE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER

YEAR ENDED JUNE 30, 2018

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel Services Costs:								
Administrative staff personnel	9	\$ 105,584	\$ 810	\$ 106,394	\$ 425,573	\$ -	\$ 425,573	\$ 531,967
Instructional personnel	23	1,290,744	2,321	1,293,065	-	-	-	1,293,065
Non-instructional personnel	5	223,098	81,788	304,886	-	-	-	304,886
Total salaries and staff	37	1,619,426	84,919	1,704,345	425,573	-	425,573	2,129,918
Fringe benefits and payroll taxes		413,922	21,705	435,627	108,775	-	108,775	544,402
Retirement		41,321	2,167	43,488	10,859	-	10,859	54,347
Professional development		7,336	418	7,754	2,121	-	2,121	9,875
Legal services		-	-	-	15,732	-	15,732	15,732
Accounting / Audit		-	-	-	8,580	-	8,580	8,580
Professional services		158,524	6,698	165,222	64,356	-	64,356	229,578
Student and staff recruitment		13,380	421	13,801	1,870	-	1,870	15,671
Supplies / Materials		80,930	621	81,551	-	-	-	81,551
Office expenses		20,191	666	20,857	38,332	-	38,332	59,189
Food service		151,295	-	151,295	-	-	-	151,295
Student services		11,522	-	11,522	-	-	-	11,522
Insurance		1,779	93	1,872	467	-	467	2,339
Building and Land Rent / Lease		1,171,342	8,984	1,180,326	131,147	-	131,147	1,311,473
Utilities		65,058	1,052	66,110	9,148	-	9,148	75,258
Non-capitalized equipment and furnishings		825	6	831	92	-	92	923
Technology		10,333	79	10,412	1,157	-	1,157	11,569
Repairs and maintenance		25,212	193	25,405	2,823	-	2,823	28,228
Depreciation and amortization		195,543	1,500	197,043	21,894	-	21,894	218,937
Other		11,955	92	12,047	1,339	-	1,339	13,386
		<u>\$ 3,999,894</u>	<u>\$ 129,614</u>	<u>\$ 4,129,508</u>	<u>\$ 844,265</u>	<u>\$ -</u>	<u>\$ 844,265</u>	<u>\$ 4,973,773</u>