

NEW VISIONS AIM CHARTER HIGH SCHOOL II
(FORMERLY ROADS CHARTER SCHOOL II)

FINANCIAL STATEMENTS

JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2017)

**NEW VISIONS AIM CHARTER HIGH SCHOOL II
(FORMERLY ROADS CHARTER SCHOOL II)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
New Visions AIM Charter High School II
(Formerly ROADS Charter School II)

Report on the Financial Statements

We have audited the accompanying financial statements of New Visions AIM Charter High School II (formerly ROADS Charter School II) (the "School"), which comprise the statement of financial position as of June 30, 2018, 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.

Auditor's 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School'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 School'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Visions AIM Charter High School II (formerly ROADS Charter School II) as of June 30, 2018, 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 ROADS Charter School II's 2017 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 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 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 25, 2018 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.

MBAF CPAs, LLC

New York, NY
October 25, 2018

NEW VISIONS AIM CHARTER HIGH SCHOOL II
(FORMERLY ROADS CHARTER SCHOOL II)

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2017)

ASSETS	2018	2017
Cash	\$ 655,497	\$ 506,201
Cash - restricted	75,289	75,063
Grants receivable	175,624	120,585
Due from related parties	2,480	5,303
	<u>\$ 908,890</u>	<u>\$ 707,152</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 41,772	\$ 40,219
Accrued salaries and other payroll related expenses	65,778	257,277
Due to NYC Department of Education	128,988	126,054
Due to related parties	47,239	20,000
	<u>283,777</u>	<u>443,550</u>
NET ASSETS		
Unrestricted	<u>625,113</u>	<u>263,602</u>
	<u>\$ 908,890</u>	<u>\$ 707,152</u>

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

NEW VISIONS AIM CHARTER HIGH SCHOOL II
(FORMERLY ROADS CHARTER SCHOOL II)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)

	2018	2017
OPERATING REVENUE		
State and local per pupil operating revenue	\$ 3,344,955	3,912,758
Government grants and contracts	<u>304,450</u>	<u>293,679</u>
	<u>3,649,405</u>	<u>4,206,437</u>
EXPENSES		
Program	2,861,555	4,155,979
Management and general	<u>434,803</u>	<u>455,858</u>
	<u>3,296,358</u>	<u>4,611,837</u>
INCOME (DEFICIENCY) FROM SCHOOL OPERATIONS	353,047	(405,400)
SUPPORT AND OTHER INCOME		
Interest and other income	<u>8,464</u>	<u>35,784</u>
CHANGE IN NET ASSETS	361,511	(369,616)
NET ASSETS - BEGINNING OF YEAR	<u>263,602</u>	<u>633,218</u>
NET ASSETS - END OF YEAR	<u>\$ 625,113</u>	<u>\$ 263,602</u>

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

NEW VISIONS AIM CHARTER HIGH SCHOOL II
(FORMERLY ROADS CHARTER SCHOOL II)

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)

	No. of Positions	Program Services			Supporting Services	2018	2017
		General Education	Special Education	Total	Management and General		
Personnel service costs							
Administrative staff personnel	14	\$ 341,540	\$ 235,197	\$ 576,737	\$ 323,669	\$ 900,406	\$ 1,094,672
Instructional personnel	18	531,810	554,371	1,086,181	-	1,086,181	1,790,868
Total salaries and staff	32	873,350	789,568	1,662,918	323,669	1,986,587	2,885,540
Fringe benefits and payroll taxes		161,471	152,369	313,840	63,072	376,912	680,800
Retirement		47,469	42,915	90,384	17,592	107,976	32,061
Management company fee		206,551	123,052	329,603	12,004	341,607	399,845
Legal services		2,981	1,776	4,757	173	4,930	21,861
Accounting and audit services		-	-	-	2,115	2,115	44,020
Other purchases of professional and consulting services		67,898	41,455	109,353	1,877	111,230	126,935
Repairs and maintenance		5,418	3,227	8,645	965	9,610	3,325
Insurance		20,669	12,225	32,894	999	33,893	38,135
Utilities		6,013	3,826	9,839	608	10,447	16,591
Instructional supplies and materials		14,548	8,290	22,838	-	22,838	32,580
Equipment and furnishings		1,178	766	1,944	603	2,547	-
Staff development		7,107	4,515	11,622	361	11,983	5,312
Marketing and recruitment		908	719	1,627	39	1,666	23,007
Technology		87,630	51,300	138,930	3,893	142,823	31,973
Food service		20,331	11,678	32,009	660	32,669	10,835
Student services		25,595	14,784	40,379	-	40,379	82,000
Office expense		28,987	17,144	46,131	6,160	52,291	51,442
Depreciation		-	-	-	-	-	45,277
Bad debt expense		-	-	-	-	-	73,176
Other		2,443	1,399	3,842	13	3,855	7,122
		\$ 1,580,547	\$ 1,281,008	\$ 2,861,555	\$ 434,803	\$ 3,296,358	\$ 4,611,837

The accompanying notes are an integral part of these financial statements

NEW VISIONS AIM CHARTER HIGH SCHOOL II
(FORMERLY ROADS CHARTER SCHOOL II)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operating revenue	\$ 3,597,300	\$ 4,791,643
Other cash received	8,464	35,784
Cash paid to employees and suppliers	<u>(3,456,242)</u>	<u>(4,618,227)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>149,522</u>	<u>209,200</u>
NET INCREASE IN CASH	149,522	209,200
CASH AND CASH - RESTRICTED - BEGINNING OF YEAR	<u>581,264</u>	<u>372,064</u>
CASH AND CASH - RESTRICTED - END OF YEAR	<u>\$ 730,786</u>	<u>\$ 581,264</u>
 Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 361,511	\$ (369,616)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	-	45,277
Bad debt expense	-	73,176
Changes in operating assets and liabilities:		
Grants receivable	(55,039)	385,976
Prepaid expenses and other assets	-	41,999
Due from related parties	2,823	189,482
Accounts payable and accrued expenses	1,553	(199,890)
Accrued salaries and other payroll related expenses	(191,499)	(46,152)
Due to NYC Department of Education	2,934	126,054
Due to related parties	<u>27,239</u>	<u>(37,106)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 149,522</u>	<u>\$ 209,200</u>
 Cash and cash - restricted consist of:		
Cash	\$ 655,497	\$ 506,201
Cash - restricted	<u>75,289</u>	<u>75,063</u>
	<u>\$ 730,786</u>	<u>\$ 581,264</u>

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

**NEW VISIONS AIM CHARTER HIGH SCHOOL II
(FORMERLY ROADS CHARTER SCHOOL II)**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. NATURE OF THE ORGANIZATION

New Visions AIM Charter School II (the "School"), formerly known as ROADS Charter School II, is a New York State, not-for-profit educational corporation that was incorporated on April 5, 2011 to operate a charter school pursuant to Article 56 of the Educational Law of the State of New York. The School was granted a provisional charter on April 5, 2011, valid for a term of five years and renewable by the Board of Regents of the University of the State of New York. The School's charter was renewed and restructured for an additional five years, expiring in July 2022.

The School opened its doors in the fall of 2012 in the Bronx with a rigorous academic program and a highly structured and supportive school culture. While the School is comprised of students from many backgrounds, it is uniquely designed to meet the needs of at-risk students who are currently in the foster care and child welfare system.

The School is exempt from Federal income tax under section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii) of the IRC.

The School's primary source of income is from government funding.

The New York City Department of Education ("NYCDOE") provides free lunches and transportation directly to a majority of the School's students.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the School's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in the statement of financial position and that the amounts of change in each of those classes of net assets be displayed in the statement of activities.

These classes are defined as follows:

Permanently Restricted – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School.

Temporarily Restricted – Net assets resulting from contributions and other inflows of assets whose use by the School are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported as such in the statement of activities.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

The School has no permanently or temporarily restricted net assets as of June 30, 2018.

**NEW VISIONS AIM CHARTER HIGH SCHOOL II
(FORMERLY ROADS CHARTER SCHOOL II)**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash – Restricted

Included in cash – restricted is an escrow account of \$75,289 and \$75,063 at June 30, 2018 and 2017, respectively, which is held aside for contingency purposes as required by the Board of Regents.

Grants Receivable

Grants receivable represents amounts due from federal and state grants. Grants receivable are expected to be collected within one year, are recorded at net realizable value, and amount to \$175,624 and \$120,585 at June 30, 2018 and 2017, respectively. The School has determined that no allowance for uncollectible accounts is necessary at June 30, 2018 and 2017. Such estimate is based on management's assessments of the creditworthiness of its grantors, the aged basis of its receivables, as well as current economic conditions.

Revenue Recognition

Revenue from state and local governments is based on the number of students enrolled and 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 School when qualifying expenditures are incurred and billable. Funds received in advance for which qualifying expenditures have not been incurred would be reflected as due to the NYCDOE from state and local government grants in the accompanying statement of financial position.

The School receives a substantial portion of its support and revenue from the NYCDOE. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

Net Assets

Unrestricted net assets consist of revenues derived from government agencies, public contributions and other revenues for youth education. These net assets account for resources over which the Board of Trustees has discretionary control to use in carrying on the operations of the School.

Premises Provided by Government Authorities

The School does not record any in-kind contributions and related costs with respect to dedicated and shared space provided to it by the NYCDOE as the premises are temporary in nature and are excess shared space whereby a fair value cannot be determined, and is industry practice.

Property and Equipment

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

**NEW VISIONS AIM CHARTER HIGH SCHOOL II
(FORMERLY ROADS CHARTER SCHOOL II)**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The School expenses advertising costs as incurred. The School incurred \$1,666 and \$23,007 in advertising costs for the years ended June 30, 2018 and 2017, respectively, which is included in the accompanying statement of functional expenses under marketing and recruitment.

Functional Allocation of Expenses

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

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

Estimates

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

Subsequent Events

The School has evaluated events through October 25, 2018, which is the date the financial statements were available to be issued.

Comparative Financial Information

The June 30, 2018 financial statements include certain prior period summarized comparative information in total but not by net asset class. In addition, only certain of the notes to the financial statements for June 30, 2017 are presented. As a result, the June 30, 2017 comparative information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such June 30, 2017 information should be read in conjunction with the School's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Income Taxes

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

The School files informational returns in the Federal jurisdiction. With few exceptions, the School is no longer subject to Federal income tax examinations for fiscal years before 2015.

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

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

**NEW VISIONS AIM CHARTER HIGH SCHOOL II
(FORMERLY ROADS CHARTER SCHOOL II)**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Pronouncement

In fiscal year 2018, the School adopted the accounting standards update which amends the cash flow statement presentation of restricted cash. The update requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-year and end-of-year total amounts shown on the statement of cash flows. The School adopted the update retrospectively for fiscal year 2017. The adoption of this update had no effect on the School's change in net assets or cash flows.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standards update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. The School is currently evaluating the effect the update will have on its financial statements.

In August 2016, the FASB issued an accounting standards update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The School is currently evaluating the effect the update will have on its financial statements.

3. RELATED PARTY TRANSACTIONS

New Visions for Public Schools ("New Visions") is a not-for-profit organization dedicated to supporting public schools and helping start and manage charter schools. Pursuant to the terms of the Educational Services Agreement by and between the School and New Visions beginning in fiscal year 2018, New Visions provides educational management, operational, and fundraising services to the School. As compensation to New Visions for these services rendered, the School pays 10% of all public revenues, defined as per-pupil revenues, received by the School during the year. In connection with the restructuring of the School's charter and change in management, the School's legal name and IRS filing was changed from ROADS Charter School II to New Visions AIM Charter High School II during fiscal year 2018.

The balance due to New Visions from the School at June 30, 2018 amounted to \$44,083, which is comprised of management fees. Total management fees incurred by the School for the years ended June 30, 2018 and 2017 totaled \$341,607 and \$399,845, respectively. The management fees for the year ended June 30, 2017 were related to services provided by the School's former management company. At June 30, 2017, the balance due to the School's former management company was \$20,000.

For operational efficiency and purchasing power, the School also shares expenses with other charter schools related by common management. At June 30, 2018, the balance due to other charter schools was \$3,156, and the balance due from other charter schools was \$2,480. At June 30, 2017, the balance due from other charter schools was \$5,303.

**NEW VISIONS AIM CHARTER HIGH SCHOOL II
(FORMERLY ROADS CHARTER SCHOOL II)**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

4. PROPERTY AND EQUIPMENT

There were no additions to property and equipment during the year ended June 30, 2018. There was no depreciation or amortization expense for the year ended June 30, 2018.

Property and equipment and the related accumulated depreciation was written off as of June 30, 2017. Depreciation expense was \$45,277 for the year ended June 30, 2017.

5. GRANTS RECEIVABLE

Grants receivable consist of federal and state entitlements and grants. The School expects to collect these receivables within one year. Grants receivable consist of the following as of June 30,:

	<u>2018</u>	<u>2017</u>
Title I	\$ 71,714	\$ -
Title II	21,644	-
NYS Additional Funding	71,112	84,734
E-Rate Reimbursement	7,772	-
Other	<u>3,382</u>	<u>35,851</u>
	<u>\$ 175,624</u>	<u>\$ 120,585</u>

6. AGREEMENT FOR SCHOOL FACILITY

The School has entered into a verbal agreement (the "Agreement") with the NYCDOE for dedicated and shared space at a New York City public school located at 1010 Rev. James A Polite Ave, Bronx, New York. The School is not responsible for rent, utilities, custodial services, maintenance, or school safety. Approximately 10,700 square feet is allocated to the School. The Agreement commenced on July 1, 2012 at a cost of \$1 per year. In accordance with industry standards, the amount has not been recorded. The School will be responsible for any overtime-related costs for services provided beyond the regular opening hours.

7. PENSION PLAN

Beginning in fiscal year 2018, the School adopted the New Visions for Public Schools' pension plan (the "Plan") which is qualified under Internal Revenue Code 403(b) for the benefit of its eligible employees. The Plan is an elective contribution plan. Employees are eligible to enroll in the Plan once they have completed at least 1 full year of service and completion of 1,000 work hours, and are also eligible for discretionary employer contributions. The School's contribution becomes fully vested after the sixth year of the employee's service.

In fiscal year 2017, the School had a 401(k) profit sharing plan (the "401(k) plan") which covered most of the employees. The 401(k) plan was a defined contribution plan. Employees were eligible to enroll in the 401(k) plan on a monthly date with no minimum service time required. The 401(k) plan provided for the School to contribute up to 5% of participating employee salary. The School contribution became fully vested immediately. The 401(k) plan was terminated as of June 30, 2017. Employees had the option of transferring their funds to the New Visions for Public Schools' pension plan.

For the years ended June 30, 2018 and 2017, pension expense for the School was \$107,976 and \$32,061, respectively, which is included in retirement in the accompanying statement of functional expenses.

**NEW VISIONS AIM CHARTER HIGH SCHOOL II
(FORMERLY ROADS CHARTER SCHOOL II)**

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

8. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks.

The School entered into contractual relationships with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund.

9. COMMITMENTS

The School leases office equipment and copiers under non-cancelable operating leases which will expire at various times during the next four years. The leasing expense for the year ended June 30, 2018 was \$18,221, which is included in the accompanying statement of functional expenses under office expense. There was no leasing expense for the year ended June 30, 2017. Future minimum lease payments are as follows:

<u>June 30,</u>	
2019	\$ 14,784
2020	14,784
2021	14,784
2022	<u>7,392</u>
	<u>\$ 51,744</u>

10. CONCENTRATIONS

Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limit of \$250,000.

The School received approximately 91% and 93% of its total revenue from per pupil funding from the NYCDOE for the years ended June 30, 2018 and 2017, respectively.

Three major grantors accounted for approximately 94% of grants receivable at June 30, 2018. One major grantor accounted for approximately 99% of grants receivable at June 30, 2017.

Three vendors accounted for approximately 73% and two vendors accounted for 100% of accounts payable at June 30, 2018 and 2017, respectively.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Trustees
New Visions AIM Charter High School II
(Formerly ROADS Charter School II)

We have audited, 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, the financial statements of New Visions AIM Charter High School II (formerly ROADS Charter School II) (the "School"), which comprise the statement of financial position as of June 30, 2018, 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 25, 2018.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School'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.

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*.

We noted certain matters that we reported to management of the School in a separate letter dated October 25, 2018.

An Independent Member of Baker Tilly International

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MBAF CPAs, LLC

New York, NY
October 25, 2018