

# **INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL**

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FINANCIAL STATEMENTS

JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2015)

## **INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Inwood Academy for Leadership Charter School

### **Report on the Financial Statements**

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

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

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

### **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.

## **Opinion**

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

## **Report on Summarized Comparative Information**

We have previously audited Inwood Academy for Leadership Charter School's 2015 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 07, 2016, on our consideration of Inwood Academy for Leadership Charter 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 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 Inwood Academy for Leadership Charter School's internal control over financial reporting and compliance.

**MBAF CPAs, LLC**

New York, NY  
October 07, 2016

**INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL**

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2015)

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
Cash	\$ 807,950	\$ 104,764
Cash - restricted	75,106	75,058
Grants receivable	455,232	159,910
Prepaid expenses and other assets	13,944	5,987
Property and equipment, net	2,136,104	2,030,357
Construction in progress	46,523	-
	<u>\$ 3,534,859</u>	<u>\$ 2,376,076</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 257,521	\$ 268,572
Accrued salaries and other payroll related expenses	198,399	221,545
Deferred revenue	9,925	36,057
Deferred rent	304,116	212,889
Capital lease obligation	66,632	68,949
	<u>836,593</u>	<u>808,012</u>
 <b>NET ASSETS</b>		
Unrestricted	<u>2,698,266</u>	<u>1,568,064</u>
	<u>\$ 3,534,859</u>	<u>\$ 2,376,076</u>

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

**INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUE AND SUPPORT</b>		
State and local per pupil operating revenue	\$ 11,491,775	\$ 9,504,165
Government grants and contracts	1,340,215	802,898
Contributions and other grants	130,637	70,632
Interest income	49	233
Benefit income	-	2,244
	<u>12,962,676</u>	<u>10,380,172</u>
<b>EXPENSES</b>		
Program services	10,278,183	9,037,873
Management and general	1,419,992	898,098
Fundraising	134,299	106,251
	<u>11,832,474</u>	<u>10,042,222</u>
<b>CHANGE IN NET ASSETS</b>	1,130,202	337,950
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,568,064</u>	<u>1,230,114</u>
<b>NET ASSETS - END OF YEAR</b>	<u><b>\$ 2,698,266</b></u>	<u><b>\$ 1,568,064</b></u>

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

**INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	No. of Positions	Program Services			Supporting Services		
		General Education	Special Education	Total Program	Management and General	Fundraising	
<b>Personnel services costs:</b>							
Administrative staff personnel	24	\$ 953,188	\$ 228,281	\$ 1,181,469	\$ 406,364	\$ 93,635	\$ 1,681,468
Instructional personnel	93	3,404,204	1,209,015	4,613,219	2,675	297	4,616,191
Non-instructional personnel	8	-	-	-	202,470	-	202,470
Total salaries and wages	125	4,357,392	1,437,296	5,794,688	611,509	93,932	6,500,129
Payroll taxes and employee benefits		877,738	289,524	1,167,262	123,180	18,921	1,309,363
Retirement benefits		109,149	36,003	145,152	15,318	2,353	162,823
Legal fees		-	-	-	7,778	-	7,778
Accounting / Audit services		-	-	-	136,209	-	136,209
Professional fees - other		218,677	71,675	290,352	174,923	7,500	472,775
Building and land rent / lease		828,882	273,409	1,102,291	134,192	-	1,236,483
Repairs and maintenance		57,275	18,892	76,167	9,273	-	85,440
Insurance		35,146	11,593	46,739	5,690	-	52,429
Utilities		89,633	29,566	119,199	14,511	-	133,710
Non-capitalized equipment / furnishings		48,924	15,796	64,720	7,322	-	72,042
Staff development		114,441	37,749	152,190	18,527	-	170,717
Student and staff recruitment		16,105	5,312	21,417	2,607	-	24,024
Advertising		-	-	-	-	-	-
Technology		120,093	39,538	159,631	19,311	-	178,942
Supplies / Materials		170,830	40,558	211,388	-	3,435	214,823
Food services		280,589	66,616	347,205	-	-	347,205
Student services		113,458	26,936	140,394	-	8,158	148,552
Office expense		-	-	-	82,638	-	82,638
Bank and interest expense		4,744	1,565	6,309	768	-	7,077
Depreciation and amortization		323,380	106,668	430,048	52,354	-	482,402
Other		2,387	644	3,031	3,882	-	6,913
		<b>\$ 7,768,843</b>	<b>\$ 2,509,340</b>	<b>\$ 10,278,183</b>	<b>\$ 1,419,992</b>	<b>\$ 134,299</b>	<b>\$ 11,832,474</b>
							<b>\$ 10,042,222</b>

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

**INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from operating revenue and support	\$ 12,641,173	\$ 10,233,514
Cash received from interest income	49	175
Cash paid to employees and suppliers	<u>(11,301,047)</u>	<u>(9,296,131)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,340,175</u>	<u>937,558</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(538,399)	(1,352,260)
Construction in progress	<u>(46,523)</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(584,922)</u>	<u>(1,352,260)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments for capital lease obligations	<u>(52,067)</u>	<u>(50,611)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(52,067)</u>	<u>(50,611)</u>
NET INCREASE (DECREASE) IN CASH	703,186	(465,313)
CASH - BEGINNING OF YEAR	<u>104,764</u>	<u>570,077</u>
CASH - END OF YEAR	<u><b>\$ 807,950</b></u>	<u><b>\$ 104,764</b></u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 1,130,202	\$ 337,950
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	482,402	418,804
Deferred rent	91,227	196,152
Changes in operating assets and liabilities:		
Cash - restricted	(48)	(58)
Grants receivable	(295,322)	(146,425)
Prepaid expenses and other assets	(7,957)	67,841
Accounts payable and accrued expenses	(11,051)	95,233
Accrued salaries and payroll related expenses	(23,146)	(31,939)
Deferred revenue	<u>(26,132)</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><b>\$ 1,340,175</b></u>	<u><b>\$ 937,558</b></u>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Equipment acquired by incurring capital lease obligations	\$ 49,750	\$ 119,560

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



# INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

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## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

### 1. NATURE OF THE ORGANIZATION

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Inwood Academy for Leadership Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on December 15, 2009 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 December 15, 2009, valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The School's charter was renewed during the year for a three and a half year term until June 30, 2018.

The School opened its doors in the Fall of 2010 in Upper Manhattan with a rigorous academic program and a highly structured and supportive school culture. The School is uniquely designed to empower students in Inwood and Washington Heights to become agents for change through community-focused leadership, character development and college preparedness.

The School, as determined by the Internal Revenue Service, 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 under the corresponding provisions of the New York State 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.

In fiscal year 2016, the School operated classes for students in the fifth through tenth grades. In fiscal year 2015, the School operated classes for students in the fifth through ninth grades.

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

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#### 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 a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a 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 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 at June 30, 2016.

## INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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##### **Cash - Restricted**

An escrow account of \$75,106 held aside to cover debts in the event of the School's dissolution as required by the State University of New York.

##### **Grants Receivable**

Grants receivable represent amounts due from federal grants. Grants receivable that are expected to be collected within one year and recorded at net realizable value are \$455,232 and \$159,910 at June 30, 2016 and 2015, respectively. The School has determined that no allowance for uncollectible accounts for grants receivable is necessary at June 30, 2016 and 2015. 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 and historical information.

##### **Revenue Recognition**

Revenue from the state and local government resulting from the School's charter status 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, if any, are reflected as refundable advances 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.

##### **Property and Equipment**

Property and equipment are stated at cost and are depreciated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the life of the asset or the life of the lease. Property and equipment acquired with certain government contract funds is recorded as expenses pursuant to the terms of the contract in which the government funding source retains ownership of the property. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. No depreciation is recorded on construction in progress until placed into service.

##### **Impairment**

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized for the years ended June 30, 2016 and 2015.

##### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis. Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications based upon benefits received.

## INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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##### **Advertising**

The School expenses advertising costs as incurred. The School incurred no advertising costs for the year ended June 30, 2016. The School incurred advertising costs of \$4,771 for the year ended June 30, 2015.

##### **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 07, 2016, which is the date the financial statements were available to be issued.

##### **Comparative Financial Information**

The June 30, 2016 financial statements include certain prior year 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, 2015 are presented. As a result, the June 30, 2015 comparative information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such June 30, 2015 information should be read in conjunction with the School's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

##### **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, state, or local income tax examinations for fiscal years before 2013.

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 paid. 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 tax as "Other Expense."

##### **Deferred Rent**

In accordance with U.S. GAAP, rent expense is recognized on a straight-line basis over the life of the lease, including future escalations of rent, rather than in accordance with lease payments. Deferred rent represents the adjustment to future rents as a result of using the straight-line method.

## INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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##### Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard 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 February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Accounting by lessors remains largely unchanged from current U.S. GAAP. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The School is currently evaluating the effect the update will have on its financial statements.

In August 2016, the FASB issued an accounting standard 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 Organization is currently evaluating the effect the update will have on its financial statements.

##### Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. This reclassification had no effect on previously reported change in net assets.

## INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

#### 3. PROPERTY AND EQUIPMENT

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Property and equipment consist of the following as of June 30:

	2016	2015	Estimated Useful Life
Furniture and fixtures	758,638	563,533	3 years
Equipment and computers	646,576	547,393	3 years
Capital lease equipment	169,310	119,560	Life of lease
Leasehold improvements	1,881,913	1,637,802	Life of lease
	<u>3,456,437</u>	<u>2,868,288</u>	
Less: accumulated depreciation and amortization, including accumulated amortization on capital leases of \$107,590 and \$53,917 as of June 30, 2016 and 2015, respectively	<u>(1,320,333)</u>	<u>(837,931)</u>	
	<u>\$ 2,136,104</u>	<u>\$ 2,030,357</u>	

Depreciation and amortization expense amounted to \$482,402 and \$418,804 for the years ended June 30, 2016 and 2015, respectively, including amortization expense on capital leases of \$53,673 and \$50,611 for the years ended June 30, 2016 and 2015, respectively.

#### 4. CONSTRUCTION IN PROGRESS

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In 2016, the School began performing due diligence and evaluating conditions for a new location. Construction in progress amounted to \$46,523 at June 30, 2016.

#### 5. PENSION PLAN

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The School has a 403(b) profit sharing plan (the "Plan") which covers most of the employees. The Plan is a defined contribution plan. Employees are eligible to enroll in the Plan either the first day of the Plan year or the first day of the seventh month of the Plan year. Those employees who have completed at least 1 full year of service are also eligible for employer contributions. The Plan provides for the School to contribute up to 5% of an employee's salary. The School contribution becomes fully vested after the employee completes one year of service. For the years ended June 30, 2016 and 2015, pension expense for the School was \$162,823 and \$96,550, respectively.

## INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

#### 6. COMMITMENTS

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The School has a lease with The Roman Catholic Church of the Good Shepherd of New York City that will expire on June 30, 2018. The School took possession of this space in August 2012. Annual lease payments amounted to \$417,420 and \$405,263 during the years ended June 30, 2016 and 2015, respectively.

On June 19, 2014, the School entered into a lease with The Roman Catholic Church of St. Jude. The lease period is from July 1, 2014 through June 30, 2024. The School took possession of this space in July 2014. Annual lease payments amounted to \$740,000 and \$640,000 during the years ended June 30, 2016 and 2015, respectively.

The School entered into one capital lease in 2016 for computers for a total commitment of \$49,750 during the year ended June 30, 2016. In 2015, the School entered into three capital leases for computers and kitchen equipment for a total commitment of \$119,560.

The School leases equipment and a copier under a non-cancelable operating lease which will expire in November of 2015.

Total future minimum rental and lease payments are as follows:

<u>June 30,</u>	<u>Operating</u>	<u>Capital</u>
<u>2017</u>	<u>Leases</u>	<u>Leases</u>
2017	\$ 1,197,420	\$ 50,872
2018	1,197,420	19,761
2019	877,000	3,294
2020	877,000	-
2021	877,000	-
Thereafter	2,741,187	-
	<u>\$ 7,767,027</u>	<u>73,927</u>
Less interest expense		7,295
Net minimum obligations under capital leases		<u>\$ 66,632</u>

#### 7. RISK MANAGEMENT

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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.

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

## INWOOD ACADEMY FOR LEADERSHIP CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

#### 8. CONCENTRATIONS

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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 ("FDIC") insured limit of \$250,000.

The School received approximately 90% of its total revenue from per pupil funding from the NYCDOE during the year ended June 30, 2016. The School received approximately 95% of its total revenue from per pupil funding from the NYCDOE during the year ended June 30, 2015.

Two major grantors accounted for 77% of grants receivable at June 30, 2016. One major grantor accounted for approximately 90% of grants receivable at June 30, 2015.

Three vendors accounted for approximately 51% of accounts payable at June 30, 2016. Two vendors accounted for approximately 74% of accounts payable at June 30, 2015.



**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  
Inwood Academy for Leadership Charter School

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 Inwood Academy for Leadership Charter School (the "School"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 07, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 07, 2016.



**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 07, 2016