
**Metropolitan Lighthouse
Charter School, Inc.**

Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2016 and 2015

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL, INC.

FINANCIAL STATEMENTS

(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Metropolitan Lighthouse Charter School, Inc.
Bronx, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Metropolitan Lighthouse Charter School, Inc. ("the School") which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November xx, 2016, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this 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. This 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.



Purchase, New York
December 28, 2016

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2016 AND 2015

	2016	Restated 2015
ASSETS		
Cash	\$ 3,534,651	\$ 2,849,835
Receivables (Note 4)	232,385	368,444
Prepaid expenses	37,563	-
Security deposits (Note 6)	1,023,749	1,023,749
Fixed assets - net (Note 5)	18,655,439	19,386,223
Other asset - escrow account (Note 3)	70,155	70,155
TOTAL ASSETS	\$ 23,553,942	\$ 23,698,406
LIABILITIES		
Accounts payable and accrued expenses	\$ 140,528	\$ 152,994
Accrued payroll and payroll taxes	301,580	245,051
Accrued compensated absences	42,072	35,847
Deferred revenue	-	6,089
Capital leases (Note 6)	21,496,750	20,598,268
TOTAL LIABILITIES	21,980,930	21,038,249
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS (Note 2B)		
Unrestricted	1,573,012	2,660,157
TOTAL NET ASSETS	1,573,012	2,660,157
TOTAL LIABILITIES AND NET ASSETS	\$ 23,553,942	\$ 23,698,406

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

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	Restated 2015
REVENUE AND SUPPORT:		
Student enrollment fees (Note 2E)	\$ 6,304,979	\$ 5,419,265
Federal grants	341,270	266,951
NYC rent support and other income	315,074	158,827
In-kind contributions (Note 9)	33,542	28,213
Total revenue and support	6,994,865	5,873,256
 EXPENSES:		
Program services:		
Educational services	7,478,893	5,776,394
Total program services	7,478,893	5,776,394
Supporting services:		
Management and general	603,116	564,114
Total supporting services	603,116	564,114
Total expenses	8,082,009	6,340,508
CHANGE IN UNRESTRICTED NET ASSETS	(1,087,144)	(467,252)
NET ASSETS - Beginning of Year	2,660,157	3,127,409
NET ASSETS - End of Year	\$ 1,573,012	\$ 2,660,157

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

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	EDUCATIONAL SERVICES	MANAGEMENT AND GENERAL	TOTAL
Salaries	\$ 2,937,638	\$ 120,058	\$ 3,057,696
Payroll taxes and fringe benefits	664,676	29,078	693,754
Total Salaries and Related Costs	3,602,314	149,136	3,751,450
Professional fees and consultants	32,856	3,651	36,507
Management fees (Note 7)	-	309,827	309,827
Contracted services - other	171,911	3,078	174,989
Supplies and equipment purchases	310,968	6,700	317,668
Depreciation and amortization (Note 2D)	783,065	-	783,065
Food	10,169	-	10,169
Insurance	-	36,853	36,853
Interest	1,950,586	-	1,950,586
Occupancy and utilities	290,879	-	290,879
Cleaning services	224,137	-	224,137
Printing	12,269	16,945	29,214
Staff development and recruitment	13,428	2,558	15,986
Telephone	33,764	3,751	37,515
In-kind contribution - textbooks (Note 9)	33,542	-	33,542
Other	9,005	70,617	79,622
Total Other Expenses	3,876,579	453,980	4,330,559
Total Expenses	\$ 7,478,893	\$ 603,116	\$ 8,082,009

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>EDUCATIONAL SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>Restated TOTAL</u>
Salaries	\$ 2,391,796	\$ 98,200	\$ 2,489,996
Payroll taxes and fringe benefits	601,578	26,524	628,102
Total Salaries and Related Costs	<u>2,993,374</u>	<u>124,724</u>	<u>3,118,098</u>
Professional fees and consultants	66,101	7,345	73,446
Management fees (Note 7)	-	212,698	212,698
Contracted services - other	96,258	43,246	139,504
Supplies and equipment purchases	127,870	15,804	143,674
Advertising	-	2,403	2,403
Depreciation and amortization (Note 2D)	567,955	-	567,955
Food	6,639	-	6,639
Insurance	-	51,868	51,868
Interest	1,490,983	-	1,490,983
Occupancy and utilities	137,318	-	137,318
Cleaning services	115,992	-	115,992
Printing	15,915	21,979	37,894
Staff development and recruitment	95,691	18,227	113,918
Telephone	26,060	2,896	28,956
In-kind contribution - textbooks (Note 9)	28,213	-	28,213
Other	8,024	62,925	70,949
Total Other Expenses	<u>2,783,020</u>	<u>439,390</u>	<u>3,222,410</u>
Total Expenses	<u>\$ 5,776,394</u>	<u>\$ 564,114</u>	<u>\$ 6,340,508</u>

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>Restated 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,087,144)	\$ (467,252)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	783,065	567,955
Changes in operating assets and liabilities:		
Receivables	136,059	(234,001)
Prepaid expenses	(37,563)	40,707
Security deposits	-	(1,019,294)
Accounts payable and accrued expenses	(12,465)	(46,536)
Accrued payroll and payroll taxes	56,529	114,738
Accrued compensated absences	6,225	17,975
Deferred revenues	(6,089)	(34,832)
Net Cash Used in Operating Activities	<u>(161,383)</u>	<u>(1,060,540)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	<u>(52,282)</u>	<u>(59,225)</u>
Net Cash Used In Investing Activities	<u>(52,282)</u>	<u>(59,225)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in present value of capital lease	<u>898,482</u>	<u>735,293</u>
Net Cash Provided by Financing Activities	<u>898,482</u>	<u>735,293</u>
NET INCREASE (DECREASE) IN CASH	684,817	(384,472)
CASH, Beginning of Year	<u>2,849,835</u>	<u>3,234,307</u>
CASH, End of Year	<u>\$ 3,534,651</u>	<u>\$ 2,849,835</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 945,252</u>	<u>\$ 618,750</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Capital lease - building and equipment	<u>\$ -</u>	<u>\$ 19,600,000</u>
Capital lease obligations	<u>\$ -</u>	<u>\$ 20,372,185</u>

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

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 – ORGANIZATION

Metropolitan Lighthouse Charter School, Inc. (the "School"), a New York not-for-profit Education Corporation, is a charter school incorporated on June 24, 2009, pursuant to the New York Charter School Act of 1998. The School is located in the Bronx, New York, and offers classes from kindergarten through eighth grade. The School's major source of revenue is provided by the New York City Department of Education (NYC DOE).

The School qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and accordingly, is not subject to federal and state income taxes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) ***Basis of Accounting*** – The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

B) ***Financial Statement Presentation*** – The School reports its financial position and operating activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The classification of net assets and related support, revenue and expenses is based on the presence or absence of donor-imposed restrictions.

These classifications are defined as follows:

Permanently Restricted – net assets, generally of an endowment nature, resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulation that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the recipient. The School has no permanently restricted net assets.

Temporarily Restricted - net assets resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions taken pursuant to those stipulations. When stipulations terminate or are fulfilled, the amounts involved are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The School has no temporarily restricted net assets.

Unrestricted – unexpended net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.

C) ***Use of Estimates*** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) **Fixed Assets** – Fixed assets such as furniture and equipment are carried at cost less accumulated depreciation, which is provided on the straight-line method over the estimated useful lives of the respective assets (3 – 7 years). Building and building improvements are depreciated over 29 years. Leasehold improvements are capitalized at cost and amortized over the lesser of the term of the lease or the estimated useful life of the improvement. It is the School's policy to capitalize property, plant and equipment and leasehold improvements in excess of \$1,000. Expenditures for repairs and maintenance are expensed as incurred.

E) **Revenue** – The School is funded by the NYC DOE based on the approved per pupil operating expenses of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil operating expenses and the full time equivalent student enrollment of the School. The School is also the recipient of awards from other various government entities. The awards are subject to compliance requirements and financial audits by the funding source. The accompanying financial statements make no provision for possible disallowances.

Student enrollment fees received for future years are deferred to the applicable year and are shown as deferred revenue on the Statement of Financial Position. As of June 30, 2016 and 2015, deferred revenue totaled \$0 and \$6,089, respectively.

In-kind contributions are reflected as contributions at their fair value at the date of the donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used.

F) **Functional Allocation of Expenses** – The direct costs of providing educational programs and other activities have been summarized on a functional basis in the Statement of Financial Position. In addition, certain indirect costs have been allocated among the programs.

G) **Reclassifications** – Certain line items in the June 30, 2015 financial statements have been reclassified to conform to the June 30, 2016 presentation.

H) **Advertising** – Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2016 and 2015 amounted to \$0 and \$2,403, respectively.

NOTE 3 – OTHER ASSET – ESCROW ACCOUNT

At the request of the NYC DOE, the School is required to establish a dissolution escrow fund in the amount of \$70,000 as a contingency fund for dissolution expenses. As of June 30, 2016 and 2015, the balance of the account was \$70,155 and \$70,155, respectively.