

**METROPOLITAN LIGHTHOUSE CHARTER SCHOOL  
AND AFFILIATE**

**BRONX, NEW YORK**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

**OTHER CONSOLIDATING FINANCIAL INFORMATION**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2020**

**(With Comparative Totals for 2019)**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Metropolitan Lighthouse Charter School and Affiliate

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Metropolitan Lighthouse Charter School and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2020, 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 Consolidated 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 Charter School'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 Charter 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 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 Metropolitan Lighthouse Charter School and Affiliate as of June 30, 2020, 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.

**Other Matter**

The consolidated financial statements of Metropolitan Lighthouse Charter School and Affiliate for the year ended June 30, 2019 were audited by another auditor who expressed an unmodified opinion on those statements in their report dated October 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 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 29, 2020 on our consideration of Metropolitan Lighthouse Charter School and Affiliate'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 Metropolitan Lighthouse Charter School and Affiliate's internal control over financial reporting and compliance.

**Emphasis of Matters**

As discussed in Note A to the consolidated financial statements, in 2020, Metropolitan Lighthouse Charter School and Affiliate adopted new accounting guidance for recognition of revenue, contributions received, and statement of cash flows presentation. Our opinion is not modified with respect to these matters.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 29, 2020

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

(With Comparative Totals for 2019)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents (including restricted cash of \$1,822,508 and \$3,499,980 respectively)	\$ 4,936,045	\$ 5,751,420
Investments	4,063,120	4,042,134
Grants and contracts receivable	283,915	164,744
Prepaid expenses	<u>46,494</u>	<u>45,168</u>
TOTAL CURRENT ASSETS	9,329,574	10,003,466
<u>PROPERTY AND EQUIPMENT, net</u>	27,041,546	24,685,497
<u>OTHER ASSETS</u>		
Security deposits	31,523	31,523
Cash in escrow	<u>70,330</u>	<u>70,330</u>
	<u>101,853</u>	<u>101,853</u>
TOTAL ASSETS	<u>\$ 36,472,973</u>	<u>\$ 34,790,816</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current portion of Paycheck Protection Program note payable	\$ 498,504	\$ -
Current portion of bonds payable	340,000	325,000
Accounts payable and accrued expenses	396,605	497,504
Accrued payroll and payroll taxes	846,885	628,776
Accrued compensated absences	<u>87,543</u>	<u>80,992</u>
TOTAL CURRENT LIABILITIES	2,169,537	1,532,272
<u>OTHER LIABILITIES</u>		
Paycheck Protection Program note payable, net of current portion	634,733	-
Bonds payable, net of unamortized bond issuance costs of \$1,257,822 and \$1,297,129, respectively	25,706,528	26,066,732
Reserve for payment of debt service	<u>1,610,000</u>	<u>1,610,000</u>
	<u>27,951,261</u>	<u>27,676,732</u>
TOTAL LIABILITIES	30,120,798	29,209,004
<u>NET ASSETS - Without donor restrictions</u>	<u>6,352,175</u>	<u>5,581,812</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 36,472,973</u>	<u>\$ 34,790,816</u>

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

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2020  
 (With Comparative Totals for 2019)

	Year ended June 30,	
	2020	2019
Operating revenue and support:		
State and local per pupil operating revenue	\$ 11,035,874	\$ 9,178,068
Federal grants	572,411	462,089
NYC DoE rental assistance	1,528,862	1,240,883
Investment income	243,840	96,537
In-kind contributions	53,309	43,661
Miscellaneous income	31,753	171,889
TOTAL OPERATING REVENUE AND SUPPORT	13,466,049	11,193,127
Expenses:		
Program services:		
Educational services	9,338,752	7,973,374
Metropolitan Support Corporation	1,831,664	1,924,553
Management and general	1,525,270	1,220,129
TOTAL EXPENSES	12,695,686	11,118,056
CHANGE IN NET ASSETS	770,363	75,071
Net assets at beginning of year	5,581,812	5,506,741
NET ASSETS AT END OF YEAR	\$ 6,352,175	\$ 5,581,812

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

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2019)

	Year ended June 30,					2019
	2020					
	Program Services			Management and General	Total	
Educational Services	Metropolitan Support Corporation	Sub-total				
Personnel services costs:						
Salaries	\$ 5,160,129	\$ -	\$ 5,160,129	\$ 657,580	\$ 5,817,709	\$ 5,074,709
Payroll taxes and fringe benefits	890,191	-	890,191	113,441	1,003,632	941,901
Total salaries and related costs	6,050,320	-	6,050,320	771,021	6,821,341	6,016,610
Professional fees and consultants	335,830	-	335,830	37,315	373,145	301,977
Management fees	461,578	-	461,578	461,578	923,156	482,144
Supplies and equipment purchases	1,075,271	-	1,075,271	-	1,075,271	400,965
Depreciation and amortization	125,240	490,380	615,620	-	615,620	633,076
Insurance	-	-	-	111,966	111,966	87,317
Interest	-	1,290,448	1,290,448	-	1,290,448	1,391,995
Occupancy and utilities	497,020	-	497,020	55,224	552,244	646,447
Printing	38,809	-	38,809	4,312	43,121	37,944
Staff development and recruitment	278,937	-	278,937	30,993	309,930	258,056
Telephone	132,609	-	132,609	14,734	147,343	163,318
Travel and parking	95,478	-	95,478	10,609	106,087	84,962
Dues and subscriptions	129,208	-	129,208	14,357	143,565	124,801
Other	118,452	50,836	169,288	13,161	182,449	488,444
	<u>\$ 9,338,752</u>	<u>\$ 1,831,664</u>	<u>\$ 11,170,416</u>	<u>\$ 1,525,270</u>	<u>\$ 12,695,686</u>	<u>\$ 11,118,056</u>

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

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2019)

	Year ended June 30,	
	2020	2019
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 770,363	\$ 75,071
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	615,620	633,076
Bond premium amortization	(59,511)	(59,511)
Amortization of bond issuance costs included in interest expense	39,307	39,307
Realized and unrealized investment gains	(126,912)	(25,405)
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	(119,171)	318,162
Prepaid expenses	(1,326)	132
Security deposits	-	(10,474)
Accounts payable and accrued expenses	(100,899)	46,055
Accrued payroll and payroll taxes	218,109	69,325
Accrued compensated absences	6,551	(9,681)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,242,131	1,076,057
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(2,971,669)	(504,961)
Purchase of investments	(9,409,007)	(4,016,659)
Proceeds from sale of investments	9,514,933	-
NET CASH USED FOR INVESTING ACTIVITIES	(2,865,743)	(4,521,620)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Borrowings on Paycheck Protection Program note payable	1,133,237	-
Repayments of bonds payable	(325,000)	-
NET CASH PROVIDED FROM FINANCING ACTIVITIES	808,237	-
DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(815,375)	(3,445,563)
Cash, cash equivalents, and restricted cash at beginning of year	5,821,750	9,267,313
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	\$ 5,006,375	\$ 5,821,750

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2019)

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 4,936,045	\$ 5,751,420
Cash in escrow	<u>70,330</u>	<u>70,330</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 5,006,375</u>	<u>\$ 5,821,750</u>
Cash paid during the year for interest	<u>\$ 1,310,651</u>	<u>\$ 1,284,350</u>

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

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Metropolitan Lighthouse Charter School (the “Charter School”) a New York not-for-profit Education Corporation, together with its wholly owned subsidiaries, 180 W. 165th Street LLC, (the “Company”), and Metropolitan Support Corporation (the “Corporation”) (collectively, the “Organization”) offers education services in classes from kindergarten through grade twelve in the Bronx, New York. The Charter School is a public charter school incorporated on June 24, 2009, pursuant to the New York Charter School Act of 1998. On March 28, 2019, the Charter School’s charter was renewed through June 30, 2022.

The Charter School was the sole member of 180 W. 165th Street LLC, a limited liability company organized and existing under the law of the State of New York which was formed on June 14, 2017. The purpose of the Company was to become the borrower in a bond offering. The Company used the proceeds to acquire the Charter School’s building, make improvements in the form of a roof-top gymnasium, and leased the space back to the Charter School.

Metropolitan Support Corporation is a not for profit organization incorporated in New York on June 15, 2017 for the purposes of acquiring the Charter School’s sole membership interest in 180 W. 165th Street LLC and to engage in programs and activities to assist the Charter School in carrying on its mission.

In January 2019, the Charter School’s Board of Trustees passed a resolution to transfer the sole membership interest in the Company to Metropolitan Support Corporation, a related entity. As a result, for financial statement purposes the activities of the Company and the Corporation are combined on the June 30, 2020 consolidating statement of activities.

Basis of accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Principles of consolidation

The consolidated financial statements reflect the accounts and operations of the Charter School and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

The assets, liabilities, activities, and net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions*

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Organization.

*Net Assets With Donor Restrictions*

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had no net assets with donor restrictions at June 30, 2020 or 2019.

Revenue recognition

Revenue from Exchange Transactions: The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records substantially all revenues over time as follows:

State and local per pupil revenue

The Organization recognizes revenue as educational programming is provided to students throughout the year. The Organization earns state and local per pupil revenue based on the approved per pupil tuition rate 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 tuition rate and the full-time equivalent student enrollment of the School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Organization and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Organization to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

Rental assistance

Facilities rental assistance funding is provided by the New York City Dept of Education (NYCDOE) to qualifying charter schools located in the five boroughs of NYC. In order to receive rental assistance funding, a charter school must have commenced instruction or added grade levels in the 2014-15 school year or thereafter, and go through a space request process with the NYCDOE. If NYCDOE is not able to provide adequate space, the charter school can become eligible for rental assistance. Rental assistance is calculated as the lesser of 30% of the per-pupil tuition rate for NYC times the number of students enrolled, or actual total rental costs. As rental assistance is based on the number of students enrolled, revenue is recognized throughout the year as educational programming is provided to students.

There were no contract balances at June 30, 2020, 2019, or 2018.

Contributions

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions and unconditional promises to give are recorded as revenue in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same period for a specific purpose is classified as revenue without donor restrictions.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidating statement of activities and changes in net assets as net assets released from restrictions.

Grant revenue

Some of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants and contracts receivable in the accompanying consolidated statement of financial position. There were no amounts received prior to incurring qualifying expenditures, which would be reported as deferred revenue in the accompanying consolidated statement of financial position at June 30, 2020 and 2019. The Organization received cost-reimbursement grants of approximately \$96,000 and \$124,000 that have not been recognized at June 30, 2020 and 2019, respectively, because qualifying expenditures have not yet been incurred.

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

Cash and cash equivalents

Cash balances are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. Cash equivalents include all high liquid instruments with maturities of three months or less when acquired. 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 and cash equivalents.

Cash in escrow

At the request of the NYC DOE, the Organization 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, 2020 and 2019, the balance of the account was \$70,330.

Grants and contracts receivables

Grants and contracts 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, 2020 and 2019.

Property and equipment

Property and equipment such as furniture and equipment is carried at cost less accumulated depreciation and amortization, 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 39 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.

Investments

Investments are carried at fair value. Net appreciation (depreciation) in the fair value of investments, which includes realized and unrealized gains and losses on those investments, is reported in the consolidated statement of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law. Cost basis is determined on the date of purchase.

Bond issuance costs

Bond issuance costs, which consist of deferred financing charges, are stated at cost and are amortized over the term of the bonds which vary from 3 to 35 years. The Organization shows bond issuance costs as a deduction from the carrying amount of bonds payable, net on the accompanying consolidated statement of financial position.

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

Deferred lease (liability) receivable

180 West 165<sup>th</sup> Street LLC owns a facility and subleases it to the Charter School. The lease contains significant pre-determined fixed escalations of the base rent. In accordance with GAAP, the Charter School recognizes the related rent expense on a straight-line basis and records the difference between the recognized rental expense and the amounts paid under the lease as deferred lease liability.

In accordance with GAAP, 180 West 165<sup>th</sup> Street LLC recognizes the related rental income on a straight-line basis and records the difference between the recognized rental income and the amounts received under the lease as deferred lease receivable. The deferred lease liability and receivable are properly eliminated in the consolidated statement of financial position. In addition, the rental income and rental expense are also eliminated in the consolidated statement of activities and changes in net assets. See Note G for more detail.

Contributed services

The Organization receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the consolidated financial statements.

Tax exempt status

The Charter School and Metropolitan Support Corporation 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.

The Charter School and Metropolitan Support Corporation file Form 990 tax returns in the U.S. federal jurisdiction. In addition, Metropolitan Support Corporation files a Form CHAR 500 in New York State. The LLC is a single member LLC and is disregarded for tax purposes. The tax returns for the years ended June 30, 2017 through June 30, 2020 are still subject to potential audit by the IRS. Management of the Charter School and Metropolitan Support Corporation believe they have no material uncertain tax positions and, accordingly will not recognize any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$56,000 and \$52,000 for the years ended June 30, 2020 and 2019, respectively.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution. The Organization received donated textbooks and other technology related donations throughout the year. The fair market value of these donations was \$53,309 and \$43,661 for the years ended June 30, 2020 and 2019, respectively.

Use of estimates in the preparation of consolidated financial statements

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

Reclassifications

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

Adoption of new accounting standards

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. For nonpublic entities, the guidance in this new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Organization adopted ASC 606 with the date of initial application of July 1, 2019.

The Organization applied ASC 606 using the cumulative effect method, which generally requires the recognition of the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of net assets, at July 1, 2019. There was no adjustment to the opening balance of net assets at July 1, 2019, as a result of this new accounting standard. In addition, the comparative information has not been adjusted and continues to be reported under existing revenue guidance. The Organization does not expect the adoption of the new revenue standard to have a material impact on its income on an ongoing basis.

As part of the adoption of ASC 606, the Organization elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligation, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

Contributions received and contributions made

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made”. ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. For most resource recipients, this standard is effective for annual reporting periods beginning after December 15, 2018. The Organization adopted the provisions of ASU 2018-08 applicable to contributions received with a date of initial application of July 1, 2019 under a modified prospective basis. Accordingly, there is no effect on net assets.

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

Statement of cash flows

In November 2016, the FASB issued new guidance related to the statement of cash flows (ASC 230), which requires entities to include restricted cash in the reconciliation of the beginning-of-year to the end-of-year balance of cash in the statement of cash flows. ASC 230 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization adopted this standard as of July 1, 2019 using the retrospective transition method.

New accounting pronouncement - leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Organization is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Organization’s financial position or results of operations.

Comparatives for year ended June 30, 2019

The consolidated financial statements include certain prior year summarized comparative information in total but not by 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 consolidated financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the consolidated statement of financial position date through October 29, 2020, which is the date the consolidated financial statements are available to be issued. No subsequent events requiring disclosure were noted, except as disclosed in Note F.

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE B: LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, investments and accounts receivable. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities as well as the supporting services to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures not covered by restricted resources. Refer to the consolidated statement of cash flows which identifies the sources and uses the Organization's cash and cash equivalents and shows positive cash generated by operations for fiscal year 2020 and 2019. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at June 30, 2020 and 2019:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,936,045	\$ 5,751,420
Investment at fair value	4,063,120	4,042,134
Grants and contracts receivable	<u>283,915</u>	<u>164,744</u>
Total financial assets available to management within one year	9,283,080	9,958,298
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted cash	<u>(1,822,508)</u>	<u>(3,499,980)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 7,460,572</u>	<u>\$ 6,458,318</u>

NOTE C: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Undesignated	\$ 5,357,157	\$ 7,288,047
Invested in property and equipment, net of related debt	<u>995,018</u>	<u>(1,706,235)</u>
	<u>\$ 6,352,175</u>	<u>\$ 5,581,812</u>

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE D: RESTRICTED CASH

Restricted cash includes amounts the Organization is required to segregate in connection with the issuance of the Revenue Bonds Series A and B, as described in Note I. These accounts are held by the Trustee. At June 30, 2020 and 2019, restricted cash consists of the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Gymnasium project fund (1)	\$ 208,858	\$ 1,876,933
Expenses fund (2)	5,410	9,910
Debt service reserve fund (3)	<u>1,608,240</u>	<u>1,613,137</u>
	<u>\$ 1,822,508</u>	<u>\$ 3,499,980</u>

- (1) The Gymnasium project fund is set aside for the construction of a roof top gymnasium.
- (2) The Expenses fund was created for the purpose of paying annual fees to the bond issuer and rating agency.
- (3) The Organization is required to set aside a debt service reserve fund to secure payments of the bond offering.

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Land	\$ 4,900,000	\$ 4,900,000
Building and improvements	21,067,978	19,431,108
Construction in progress	2,188,300	853,501
Furniture and equipment	<u>836,569</u>	<u>836,569</u>
	28,992,847	26,021,178
Less accumulated depreciation and amortization	<u>1,951,301</u>	<u>1,335,681</u>
	<u>\$ 27,041,546</u>	<u>\$ 24,685,497</u>

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 was \$615,620 and \$633,076, respectively.

Construction in progress at June 30, 2020 and 2019 primarily relates to a gymnasium project. Property and equipment is not depreciated or amortized until the asset has been placed into service. As of June 30, 2020, expected costs to complete construction of the gymnasium project amount to \$210,000.

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE F: LEASES

During 2018 the Organization entered into a lease with a third party for parking space located at 175<sup>th</sup> West 165<sup>th</sup> Street, Bronx NY, commencing on December 1, 2018. The fourteen-month lease calls for rent of \$2,000 per month payable on the 1<sup>st</sup> of the month. The Organization has the option to continue the lease on a month-to-month basis at the end of the initial lease term. The lease requires a security deposit of \$2,000 which is included in the accompanying statement of financial position. Rent expense for this lease for the years ended June 30, 2020 and 2019 was \$20,050 and \$14,000, respectively.

In 2016, the Organization entered into a lease with a third party for additional parking space located at 930 University Avenue, Bronx, NY. The three year lease calls for monthly rent of \$3,150. This agreement was amended in August 2019 extending the term until August 31, 2020 and amended again in August 2020 until August 31, 2021 and increasing the monthly rent to \$6,250. Rent expense for this lease for the years ended June 30, 2020 and 2019 was \$60,600 and \$35,430, respectively.

NOTE G: RELATED PARTY TRANSACTIONS

The Charter School is related to 180 West 165<sup>th</sup> Street LLC through common management. During 2017, the Charter School entered into a lease agreement with the related party for property located at 180 West 165<sup>th</sup> Street, Bronx NY, commencing on the date of January 5, 2018. The thirty-five-year lease calls for rent based on a fixed rent schedule provided in the sublease agreement. The Charter School has the option to renew the lease for 2 five-year terms at the end of the initial lease term. Rent paid to 180 West 165<sup>th</sup> Street LLC under the terms of this agreement was approximately \$1,667,000 and \$1,342,000 for the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019 a deferred lease liability of \$593,117 and \$577,989, respectively is included in the accompanying consolidating statement of financial position for the Charter School. At June 30, 2020 and 2019 a deferred lease receivable of \$593,117 and 577,989, respectively is included in the accompanying consolidating statement of financial position for the Company. The deferred lease liability and receivable are properly eliminated in the consolidated statement of financial position. Rent expense and rental income for the years ended June 30, 2020 and 2019 was approximately \$1,681,000 and \$1,342,000, respectively. The rental income and rental expense are also eliminated in the consolidated statement of activities and changes in net assets.

The future minimum rental payments due to 180 West 165<sup>th</sup> Street LLC required under this lease agreement, which will be eliminated in future years, are approximately as follows, which equate to the Charter School's future minimum payments on this agreement through June 2052:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 1,714,950
2022	1,712,440
2023	1,711,058
2024	1,712,003
2025	1,711,917
Thereafter	<u>45,848,852</u>
	<u>\$ 54,411,220</u>

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE H: PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

In response to the COVID-19 outbreak, in April 2020 the Organization applied for and was approved by a bank for a loan of \$1,133,237 through the Paycheck Protection Program established by the Small Business Administration. The loan has a maturity of 2 years and an interest rate of 1%. The loan has the potential for forgiveness provided certain requirements are met by the Organization. The loan was funded in May 2020.

Estimated annual maturities of the note payable are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 498,504
2022	<u>634,733</u>
	<u>\$ 1,133,237</u>

NOTE I: BONDS PAYABLE

On December 1, 2017, the Organization obtained financing of \$25,725,000 from Build NYC Resource Corporation (the "Corporation"), a local development corporation of the City of New York, to finance the purchase of the School building and make improvements. In order to facilitate the purchase, the Corporation issued Revenue Bonds, Series 2017A \$24,895,000 and Revenue Bonds Series 2017B \$830,000 to finance the project and pay issuance costs. The proceeds from the bond issuance were loaned to the Organization. The Organization executed a promissory note in favor of the Corporation who endorsed the note to the bond trustees. The agreement calls for the Organization to use the proceeds net of issuance costs to finance the project.

The bonds which require periodic payments bear interest ranging from 4% to 5% and are secured by the building. Bonds payable consist of the following at June 30:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Revenue Bonds Series 2017A, interest rate ranging from 4%-5%, due June 1, 2022 through 2052	\$ 24,895,000	\$ 24,895,000
Revenue Bonds Series 2017B, interest rate of 5%, due June 1, 2020 through 2022	<u>505,000</u>	<u>830,000</u>
	25,400,000	25,725,000
Add: unamortized bond premium	1,904,350	1,963,861
Less: debt issuance costs, net of accumulated amortization	<u>(1,257,822)</u>	<u>(1,297,129)</u>
	26,046,528	26,391,732
Less: current portion of bonds payable	<u>(340,000)</u>	<u>(325,000)</u>
	<u>\$ 25,706,528</u>	<u>\$ 26,066,732</u>

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE I: BONDS PAYABLE, Cont'd

The bonds principals maturing after June 1, 2025 are subject to mandatory redemptions by the Corporation prior to maturity.

Unamortized premium costs relating to the issuance of the Series A bond are \$1,904,350 and \$1,963,861 at June 30, 2020 and 2019, respectively. The unamortized premium costs are amortized over the term of the indebtedness of the total amount issued and included in bonds payable in the consolidated statements of financial position. Debt issuance costs, net of accumulated amortization total \$1,257,822 and \$1,297,129 as of June 30, 2020 and 2019, respectively, and are recorded as reduction in bonds payable on the accompanying consolidated statement of financial position.

Debt issuance costs consist of the following at June 30:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Debt issuance costs	\$ 1,356,089	\$ 1,356,089
Less: accumulated amortization	<u>(98,267)</u>	<u>(58,960)</u>
	<u>\$ 1,257,822</u>	<u>\$ 1,297,129</u>

The aggregate amount of principal payments subsequent to June 30, 2020 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 340,000
2022	355,000
2023	370,000
2024	390,000
2025	410,000
Thereafter	<u>23,535,000</u>
	<u>\$ 25,400,000</u>

Interest expense on the Series A and B bonds for the years ended June 30, 2020 and 2019 was \$1,284,351 and \$1,371,174, respectively.

In connection with the bonds payable, the Organization is required to maintain certain financial covenants. At June 30, 2020, the Organization was in compliance with these covenants.

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE J: RESERVE FOR PAYMENT OF DEBT SERVICE

In order to induce the Corporation to issue the bonds, the Organization entered into an agreement with the Charter School Financing Partnership LLC (the "Enhancer") to help fund the debt service reserve fund. In December 2017, the Enhancer deposited \$1,610,000 into the debt service reserve account and pledged that amount to the bond issuer. The Organization recorded the transaction as restricted cash and reserve for payment of debt service, respectively. At the end of the bond term, the debt service reserve fund will be returned to the Enhancer.

NOTE K: MANAGEMENT FEES

The Organization contracted the management of certain academic and business operations to Lighthouse Academies, Inc. The contract calls for an annual fee, a bonus provision for meeting certain milestones, and reimbursed expenses. For the years ended June 30, 2020 and 2019, total expense was \$923,156 and \$482,144, respectively.

NOTE L: 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 consolidated accompanying financial statements for such potential claims.

NOTE M: CONCENTRATIONS

At June 30, 2020 and 2019, approximately 96% and 85% of receivables are due from federal agencies related to certain grant programs.

For the years ended June 30, 2020 and 2019, approximately 82% and 81% of total operating revenue and support came from per-pupil funding provided by New York State through the New York City School District, respectively. 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 N: RETIREMENT PLAN

The Organization has a 401(k) Plan for employees who are at least 21 years old and have completed one month of service. The plan includes a safe harbor employer matching provision. The Organization must match employee contributions dollar for dollar, not to exceed 4% of compensation. Safe harbor contributions are immediately vested with the participants. For the years ended June 30, 2020 and 2019, employer contributions totaled \$84,262 and \$53,575, respectively.

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE O: FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America (“GAAP”) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

*US Treasuries:* Investments are valued at the closing price reported in the active market in which the treasuries are traded.

*Corporate Bonds:* Investments are valued at the closing price reported in the active market in which the bonds are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Charter School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE O: FAIR VALUE MEASUREMENTS, Cont'd

Financial assets carried at fair value at June 30, 2020 are classified in the table as follows:

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets carried at fair value:				
Fixed income				
US Treasuries	\$ -	\$ 4,063,120	\$ -	\$ 4,063,120
Total assets at fair value	\$ -	\$ 4,063,120	\$ -	\$ 4,063,120

Financial assets carried at fair value at June 30, 2019 are classified in the table as follows:

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets carried at fair value:				
Fixed income				
Corporate bonds	\$ -	\$ 4,042,134	\$ -	\$ 4,042,134
Total assets at fair value	\$ -	\$ 4,042,134	\$ -	\$ 4,042,134

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the risk associated with investment securities, it is at least reasonably possible that changes in risk could materially affect the accompanying consolidated financial statements.

NOTE P: FUNCTIONAL EXPENSES

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent, repairs and maintenance which are allocated on a square footage basis, as well as salaries, benefits, payroll taxes and others which are allocated on the basis of time spent in each functional category or program.

NOTE Q: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

**METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE**

**REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS**



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Metropolitan Lighthouse Charter School and Affiliate

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 consolidated financial statements of Metropolitan Lighthouse Charter School and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2020 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, and have issued our report thereon dated October 29, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Metropolitan Lighthouse Charter School and Affiliate'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metropolitan Lighthouse Charter School and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of Metropolitan Lighthouse Charter School and Affiliate's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Metropolitan Lighthouse Charter School and Affiliate's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 29, 2020

**METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE**

**OTHER CONSOLIDATING FINANCIAL INFORMATION**

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATING FINANCIAL INFORMATION

Board of Trustees  
Metropolitan Lighthouse Charter School and Affiliate

We have audited the consolidated financial statements of Metropolitan Lighthouse Charter School and Affiliate as of and for the year ended June 30, 2020, and we have issued our report thereon dated October 29, 2020, 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 2020 consolidating 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, 2020, as a whole.

*Mengel, Metzger, Barr & Co. LLP*

Rochester, New York  
October 29, 2020

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

<u>ASSETS</u>	<u>Metropolitan Lighthouse Charter School</u>	<u>Metropolitan Support Corporation</u>	<u>Pre- Consolidated Total</u>	<u>Consolidating Eliminations</u>	<u>Consolidated Total</u>
<u>CURRENT ASSETS</u>					
Cash and cash equivalents (including restricted cash of \$1,822,508)	\$ 3,078,537	\$ 1,857,508	\$ 4,936,045	\$ -	\$ 4,936,045
Investments	4,063,120	-	4,063,120	-	4,063,120
Grants and contract receivables	283,915	-	283,915	-	283,915
Prepaid expenses	46,494	-	46,494	-	46,494
TOTAL CURRENT ASSETS	7,472,066	1,857,508	9,329,574	-	9,329,574
<u>PROPERTY AND EQUIPMENT, net</u>					
	2,095,227	24,946,319	27,041,546	-	27,041,546
Deferred lease receivable	-	593,117	593,117	(593,117)	-
Security deposits	31,523	-	31,523	-	31,523
Cash in escrow	70,330	-	70,330	-	70,330
	101,853	593,117	694,970	(593,117)	101,853
TOTAL ASSETS	\$ 9,669,146	\$ 27,396,944	\$ 37,066,090	\$ (593,117)	\$ 36,472,973

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Cont'd

JUNE 30, 2020

<u>LIABILITIES AND NET ASSETS (DEFICIENCY)</u>	<u>Metropolitan Lighthouse Charter School</u>	<u>Metropolitan Support Corporation</u>	<u>Pre- Consolidated Total</u>	<u>Consolidating Eliminations</u>	<u>Consolidated Total</u>
<u>CURRENT LIABILITIES</u>					
Current portion of Paycheck Protection Program note payable	\$ 498,504	\$ -	\$ 498,504	\$ -	\$ 498,504
Current portion of bonds payable	-	340,000	340,000	-	340,000
Accounts payable and accrued expenses	289,576	107,029	396,605	-	396,605
Accrued payroll and payroll taxes	846,885	-	846,885	-	846,885
Accrued compensated absences	<u>87,543</u>	<u>-</u>	<u>87,543</u>	<u>-</u>	<u>87,543</u>
TOTAL CURRENT LIABILITIES	1,722,508	447,029	2,169,537	-	2,169,537
<u>OTHER LIABILITIES</u>					
Paycheck Protection Program note payable, net of current portion	634,733	-	634,733	-	634,733
Bonds payable, net of current portion	-	25,706,528	25,706,528	-	25,706,528
Reserve for payment of debt service	-	1,610,000	1,610,000	-	1,610,000
Deferred lease liability	<u>593,117</u>	<u>-</u>	<u>593,117</u>	<u>(593,117)</u>	<u>-</u>
	<u>1,227,850</u>	<u>27,316,528</u>	<u>28,544,378</u>	<u>(593,117)</u>	<u>27,951,261</u>
TOTAL LIABILITIES	2,950,358	27,763,557	30,713,915	(593,117)	30,120,798
<u>NET ASSETS (DEFICIENCY)</u>					
without donor restrictions	<u>6,718,788</u>	<u>(366,613)</u>	<u>6,352,175</u>	<u>-</u>	<u>6,352,175</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)	<u>\$ 9,669,146</u>	<u>\$ 27,396,944</u>	<u>\$ 37,066,090</u>	<u>\$ (593,117)</u>	<u>\$ 36,472,973</u>

METROPOLITAN LIGHTHOUSE CHARTER SCHOOL AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2020

	Metropolitan Lighthouse Charter School	Metropolitan Support Corporation	Pre- Consolidated Total	Consolidating Eliminations	Consolidated Total
Operating revenue and support:					
State and local per pupil operating revenue	\$ 11,035,874	\$ -	\$ 11,035,874	\$ -	\$ 11,035,874
Federal grants	572,411	-	572,411	-	572,411
NYC DoE rental assistance	1,528,862	-	1,528,862	-	1,528,862
Investment income	222,436	21,404	243,840	-	243,840
In-kind contributions	53,309	-	53,309	-	53,309
Rental income	-	1,681,815	1,681,815	(1,681,815)	-
Miscellaneous income	31,753	-	31,753	-	31,753
TOTAL OPERATING REVENUE AND SUPPORT	13,444,645	1,703,219	15,147,864	(1,681,815)	13,466,049
Expenses:					
Program services:					
Educational services	10,852,385	-	10,852,385	(1,513,633)	9,338,752
Metropolitan Support Corporation	-	1,831,664	1,831,664	-	1,831,664
Management and general	1,693,452	-	1,693,452	(168,182)	1,525,270
TOTAL EXPENSES	12,545,837	1,831,664	14,377,501	(1,681,815)	12,695,686
CHANGE IN NET ASSETS	898,808	(128,445)	770,363	-	770,363
Net assets (deficiency) at beginning of year	6,397,969	(816,157)	5,581,812	-	5,581,812
Prior period adjustment for deferred lease receivable and deferred lease liability	(577,989)	577,989	-	-	-
NET ASSETS (DEFICIENCY) AT END OF YEAR	\$ 6,718,788	\$ (366,613)	\$ 6,352,175	\$ -	\$ 6,352,175