

# **Launch Expeditionary Learning Charter School**

Financial Statements

June 30, 2019 and 2018

## **Independent Auditors' Report**

### **Board of Trustees Launch Expeditionary Learning Charter School**

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

We have audited the accompanying financial statements of Launch Expeditionary Learning Charter School (the "School"), which comprise the statements of financial position as of June 30, 2019 and 2018, 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 from 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 auditors' 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Change in Accounting Principle***

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, Launch Expeditionary Learning Charter School adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 1, 2019

## Launch Expeditionary Learning Charter School

### Statements of Financial Position

	June 30,	
	2019	2018
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,944,123	\$ 2,310,432
Grants and contracts receivable	121,968	138,491
Prepaid expenses and other current assets	88,888	81,119
Total Current Assets	2,154,979	2,530,042
Property and equipment, net	499,964	548,937
Restricted cash	75,335	75,300
	\$ 2,730,278	\$ 3,154,279
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 111,907	\$ 211,843
Accrued payroll and payroll taxes	289,729	274,462
Refundable advances	15,680	22,989
Total Liabilities	417,316	509,294
Net assets, without donor restrictions	2,312,962	2,644,985
	\$ 2,730,278	\$ 3,154,279

See notes to financial statements

## Launch Expeditionary Learning Charter School

### Statements of Activities

	Year Ended June 30,	
	2019	2018
<b>REVENUE AND SUPPORT</b>		
State and local per pupil operating revenue	\$ 6,020,089	\$ 5,472,932
Federal grants	252,854	287,382
State and city grants	23,196	23,682
Contributions and grants	16,850	32,933
Interest and other income	19,866	8,169
Total Revenue and Support	6,332,855	5,825,098
<b>EXPENSES</b>		
Program Services		
Regular education	3,632,585	3,368,543
Special education	2,222,686	1,967,701
Total Program Services	5,855,271	5,336,244
Supporting Services		
Management and general	691,736	516,731
Fundraising	117,871	28,804
Total Expenses	6,664,878	5,881,779
Change in Net Assets	(332,023)	(56,681)
<b>NET ASSETS</b>		
Beginning of year	2,644,985	2,701,666
End of year	\$ 2,312,962	\$ 2,644,985

See notes to financial statements

**Launch Expeditionary Learning Charter School**

Statement of Functional Expenses

Year Ended June 30, 2019

	No. of Positions	Program Services			Support Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Service Costs							
Administrative staff personnel	13	\$ 614,128	\$ 281,077	\$ 895,205	\$ 353,968	\$ 70,468	\$ 1,319,641
Instructional personnel	38	1,343,555	1,110,107	2,453,662	6,171	-	2,459,833
Non-instructional personnel	6	261,107	80,024	341,131	3,964	15,857	360,952
Total Salaries and Staff	57	2,218,790	1,471,208	3,689,998	364,103	86,325	4,140,426
Fringe benefits and payroll taxes		468,183	309,800	777,983	76,498	18,060	872,541
Retirement		9,232	6,109	15,341	1,508	356	17,205
Audit services		-	-	-	32,250	-	32,250
Other purchased / professional / consulting services		211,521	94,490	306,011	171,396	3,221	480,628
Repairs and maintenance		16,150	4,949	21,099	-	-	21,099
Insurance		27,674	10,736	38,410	770	188	39,368
Supplies / materials		182,925	61,179	244,104	1,748	426	246,278
Equipment / furnishings		13,775	4,222	17,997	-	-	17,997
Staff development		70,608	49,366	119,974	9,471	2,310	131,755
Marketing and recruiting		67,017	23,691	90,708	1,077	263	92,048
Technology		43,031	20,732	63,763	2,577	629	66,969
Student services		117,436	35,992	153,428	-	-	153,428
Office expense		35,967	25,146	61,113	6,045	1,177	68,335
Depreciation and amortization		148,816	104,044	252,860	19,961	4,868	277,689
Loss on disposal of property and equipment		1,460	1,022	2,482	196	48	2,726
Other		-	-	-	4,136	-	4,136
<b>Total Expenses</b>		<b><u>\$ 3,632,585</u></b>	<b><u>\$ 2,222,686</u></b>	<b><u>\$ 5,855,271</u></b>	<b><u>\$ 691,736</u></b>	<b><u>\$ 117,871</u></b>	<b><u>\$ 6,664,878</u></b>

See notes to financial statements

**Launch Expeditionary Learning Charter School**

Statement of Functional Expenses

Year Ended June 30, 2018

	No. of Positions	Program Services			Support Services		
		Regular Education	Special Education	Total	Management and General	Fundraising	Total
Personnel Service Costs							
Administrative staff personnel	11	\$ 583,555	\$ 368,784	\$ 952,339	\$ 84,889	\$ 6,291	\$ 1,043,519
Instructional personnel	36	1,242,182	773,744	2,015,926	175,479	13,004	2,204,409
Non-instructional personnel	5	177,700	112,300	290,000	25,850	1,916	317,766
Total Salaries and Staff	52	2,003,437	1,254,828	3,258,265	286,218	21,211	3,565,694
Fringe benefits and payroll taxes		447,793	283,400	731,193	64,628	4,768	800,589
Retirement		5,944	3,757	9,701	865	64	10,630
Audit services		-	-	-	22,000	-	22,000
Other purchased / professional / consulting services		173,681	82,650	256,331	99,038	555	355,924
Repairs and maintenance		3,780	1,202	4,982	-	-	4,982
Insurance		18,162	10,334	28,496	1,608	104	30,208
Supplies / materials		231,496	37,151	268,647	1,639	101	270,387
Equipment / furnishings		6,237	19,598	25,835	-	-	25,835
Staff development		55,751	36,731	92,482	6,250	385	99,117
Marketing and recruiting		65,274	24,535	89,809	1,242	76	91,127
Technology		69,105	21,978	91,083	-	-	91,083
Student services		98,703	44,337	143,040	-	-	143,040
Office expense		21,826	36,942	58,768	6,287	385	65,440
Depreciation and amortization		167,354	110,258	277,612	18,761	1,155	297,528
Other		-	-	-	8,195	-	8,195
<b>Total Expenses</b>		<b><u>\$ 3,368,543</u></b>	<b><u>\$ 1,967,701</u></b>	<b><u>\$ 5,336,244</u></b>	<b><u>\$ 516,731</u></b>	<b><u>\$ 28,804</u></b>	<b><u>\$ 5,881,779</u></b>

See notes to financial statements

## Launch Expeditionary Learning Charter School

### Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (332,023)	\$ (56,681)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	277,689	297,528
Loss on disposal of property and equipment	2,726	-
Changes in operating assets and liabilities		
Grants and contracts receivable	16,523	96,657
Prepaid expenses and other current assets	(7,769)	45,913
Accounts payable and accrued expenses	(99,936)	154,712
Accrued payroll and payroll taxes	15,267	754
Refundable advances	(7,309)	2,792
Net Cash from Operating Activities	(134,832)	541,675
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(231,442)	(250,773)
Restricted cash	(35)	(37)
Net Cash from Investing Activities	(231,477)	(250,810)
 Net Change in Cash and Cash Equivalents	(366,309)	290,865
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	2,310,432	2,019,567
End of year	\$ 1,944,123	\$ 2,310,432

See notes to financial statements



# Launch Expeditionary Learning Charter School

Notes to Financial Statements  
June 30, 2019 and 2018

## 1. Organization and Tax Status

Launch Expeditionary Learning Charter School (the “School”) is a New York State, not-for-profit educational corporation that was incorporated to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on December 14, 2010 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 “Board of Regents”). The Board of Regents approved and issued several renewals to the School’s Charter expiring on June 30, 2022. The School was created to offer a world-class education to students and families living in Bedford-Stuyvesant, Crown Heights and the surrounding communities in Brooklyn, NY. Through its partnership with NYC Outward Bound Schools, the School is part of the Expeditionary Learning network of over 160 member schools nationwide. Its mission is to prepare students in under-resourced communities to thrive in college and careers by providing a public education rooted in active learning experiences and powerful character development. During the 2018-2019 academic year, the School provided education to approximately 300 students in the sixth through eighth grades.

The School has an agreement with the New York City Department of Education (“NYCDOE”) to share public school space at no annual cost. The School occupies approximately 14,000 square feet on one floor of a public school building. The School also shares the gymnasium, auditorium and cafeteria with the public school which approximates 5,684 square feet. The School is not responsible for rent, utilities, custodial services, and school safety services other than those required for days and times the School operates outside of the traditional NYCDOE schedule. The School was unable to determine a value for the contributed space and related services and did not record any value for use of donated facilities or services.

The New York City Department of Education provides free lunches directly to some of the School’s students. Such costs are not included in these financial statements. The School covers the cost of lunches for children not entitled to the free lunches.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

## 2. Summary of Significant Accounting Policies

### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which 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. Accordingly actual results could differ from those estimates.

## Launch Expeditionary Learning Charter School

Notes to Financial Statements  
June 30, 2019 and 2018

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Change in Accounting Principle***

On July 1, 2018, the School adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the School to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the School to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for unrestricted net assets were reclassified as net assets without donor restrictions.

#### ***Net Asset Presentation***

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

*Net assets without donor restrictions* - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees.

*Net assets with donor restrictions* - represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2019 and 2018.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash balances held in bank accounts and highly liquid debt instruments with maturities of three months or less at the time of purchase.

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

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

## Launch Expeditionary Learning Charter School

Notes to Financial Statements  
June 30, 2019 and 2018

### 2. Summary of Significant Accounting Policies (*continued*)

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

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Computers	4 years
Equipment	5 years
Furniture and fixtures	5 years
Software	3 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. No impairment losses were recognized for the years ended June 30, 2019 and 2018.

#### ***Refundable Advances***

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

#### ***Revenue and Support***

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

## Launch Expeditionary Learning Charter School

Notes to Financial Statements  
June 30, 2019 and 2018

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Marketing and Recruitment***

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment expense for the years ended June 30, 2019 and 2018 was \$92,048 and \$91,127.

#### ***Functional Expense Allocation***

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

#### ***Accounting for Uncertainty in Income Taxes***

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2016.

#### ***Reclassifications***

Certain 2018 accounts have been reclassified to conform to the 2019 financial statement presentation.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 1, 2019.

### 3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state and city entitlements and grants. The School expects to collect these receivables in full within one year.

## Launch Expeditionary Learning Charter School

Notes to Financial Statements  
June 30, 2019 and 2018

### 4. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Computers	\$ 235,031	\$ 132,744
Equipment	167,603	166,303
Furniture and fixtures	340,406	329,962
Software	7,785	-
Leasehold improvements	<u>894,249</u>	<u>829,289</u>
	1,645,074	1,458,298
Accumulated depreciation and amortization	<u>(1,145,110)</u>	<u>(909,361)</u>
	<u>\$ 499,964</u>	<u>\$ 548,937</u>

Assets with a cost basis of \$44,666 and accumulated depreciation of \$41,940 were disposed of during the year ended June 30, 2019. Assets with a cost basis and accumulated depreciation of \$231,011 were disposed of during the year ended June 30, 2018. Loss on disposal of property and equipment was \$2,726 and \$0 for the years ended June 30, 2019 and 2018.

### 5. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following:

Cash and cash equivalents	\$ 1,944,123
Grants and contracts receivable	<u>121,968</u>
Financial assets at year end available to meet needs for general expenditures within one year	<u>\$ 2,066,091</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is invested in highly liquid instruments.

### 6. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2019 and 2018, approximately \$1,757,000 and \$2,133,000 of cash was maintained with an institution in excess of FDIC limits.

## **Launch Expeditionary Learning Charter School**

Notes to Financial Statements  
June 30, 2019 and 2018

### **7. Concentration of Revenue and Support**

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2019 and 2018, the School received approximately 95% and 94% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

### **8. Employment Contract**

The School entered into a co-employment arrangement with TriNet Group, Inc. ("TriNet"), a professional employment organization, effective May 1, 2013. Under the co-employment arrangement, TriNet assumes certain employment responsibilities, including the payment and reporting employees' wages and payroll taxes.

### **9. Employee Benefit Plan**

For the benefit of its employees, the School participates in a multiple employer defined contribution 401(k) plan, through its professional employment organization partner, TriNet Group, Inc. (see Note 8). Under the 401(k) plan, all employees of the School can elect to make semi-monthly contributions to a personal retirement account. The School will make matching contributions to any employee contributions, dollar for dollar, up to \$500 per employee per calendar year. For the years ended June 30, 2019 and 2018, all employees were eligible to participate in the 401(k) plan and all employees were eligible for the employer match. Employer match for the years ended June 30, 2019 and 2018 was \$17,205 and \$10,630.

### **10. Contingency**

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. 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.

\* \* \* \* \*

**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***

**Independent Auditors' Report**

**Board of Trustees  
Launch Expeditionary Learning Charter School**

We have audited, in accordance with the 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 Launch Expeditionary Learning Charter School (the "School"), which comprise the statement of financial position as of June 30, 2019, 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 1, 2019.

***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 entity'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 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.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 1, 2019