

**OUR WORLD NEIGHBORHOOD  
CHARTER SCHOOL**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORTS**

**JUNE 30, 2016 AND 2015**

# **OUR WORLD NEIGHBORHOOD CHARTER SCHOOL**

## **TABLE OF CONTENTS**

### **Independent Auditor's Report on Financial Statements and Supplementary Information**

#### **Exhibit**

**A - Balance Sheet**

**B - Statement of Activities**

**C - Statement of Cash Flows**

#### **Notes to Financial Statements**

#### **Schedule**

**1 - Schedule of Functional Expenses**

### **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 Auditor's Report on Financial Statements  
and Supplementary Information**

**Board of Trustees  
Our World Neighborhood Charter School**

***Report on the Financial Statements***

We have audited the accompanying financial statements of Our World Neighborhood Charter School, which comprise the balance sheet as of as of June 30, 2016 and 2015, and the related statements of activities, 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

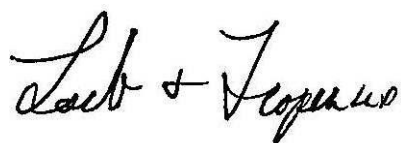
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Our World Neighborhood Charter School as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016 on our consideration of Our World Neighborhood Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Our World Neighborhood Charter School's internal control over financial reporting and compliance.



October 26, 2016

## OUR WORLD NEIGHBORHOOD CHARTER SCHOOL

## BALANCE SHEET

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 2,204,119	\$ 2,490,111
Grants and contracts receivable	826,030	385,836
Accounts receivable	14,281	11,905
Prepaid expenses	148,411	200,713
Deferred rent costs (Note 4)		9,644
Total current assets	<u>3,192,841</u>	<u>3,098,209</u>
Cash - reserve for dissolution (Note 2)		455
Investments - certificate of deposits - reserve for dissolution (Note 2)	76,057	75,491
Security deposits	51,386	51,386
Fixed assets - net (Note 3)	<u>3,465,208</u>	<u>3,461,112</u>
Total assets	<u>\$ 6,785,492</u>	<u>\$ 6,686,653</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 217,886	\$ 172,777
Accrued salaries, vacations and related liabilities	<u>952,898</u>	<u>940,364</u>
Total current liabilities	1,170,784	1,113,141
Net assets (Exhibit B)		
Unrestricted	<u>5,614,708</u>	<u>5,573,512</u>
Total liabilities and net assets	<u>\$ 6,785,492</u>	<u>\$ 6,686,653</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## OUR WORLD NEIGHBORHOOD CHARTER SCHOOL

## STATEMENT OF ACTIVITIES

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Operating revenues and other support		
State and local per-pupil operating revenues	\$ 10,263,152	\$ 10,094,182
Government grants and contracts	762,908	604,241
Food program grants	177,818	133,780
Contributions	33,466	15,978
In-kind contributions	58,229	53,298
Interest income	8,960	5,681
Other revenues	73,566	73,735
	<u>11,378,099</u>	<u>10,980,895</u>
Expenses (Schedule 1)		
Program services		
Education	8,560,018	8,765,007
Special education	495,068	531,254
	<u>9,055,086</u>	<u>9,296,261</u>
Supporting services		
Management and general	2,174,155	2,057,070
Fundraising	107,662	106,215
	<u>2,281,817</u>	<u>2,163,285</u>
Total expenses	<u>11,336,903</u>	<u>11,459,546</u>
Change in unrestricted net assets (Exhibit C)	41,196	(478,651)
Net assets - unrestricted - beginning of year	<u>5,573,512</u>	<u>6,052,163</u>
Net assets - unrestricted - end of year (Exhibit A)	<u>\$ 5,614,708</u>	<u>\$ 5,573,512</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## OUR WORLD NEIGHBORHOOD CHARTER SCHOOL

## STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 41,196	\$ (478,651)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation and amortization	199,001	243,849
Decrease (increase) in assets		
Grants and contracts receivable	(440,194)	140,329
Accounts receivable	(2,376)	(1,413)
Prepaid expenses	52,302	(165,038)
Deferred rent costs	9,644	38,574
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	45,109	(73,793)
Accrued salaries, vacations and related liabilities	12,534	(18,487)
Net cash used by operating activities	<u>(82,784)</u>	<u>(314,630)</u>
Cash flows from investing activities		
Fixed asset acquisitions	(203,097)	(83,312)
Change in cash - reserve for dissolution	455	45
Purchase of investments - certificate of deposit - reserve for dissolution	(566)	(991)
Net cash used by investing activities	<u>(203,208)</u>	<u>(84,258)</u>
Net change in cash	(285,992)	(398,888)
Cash - beginning of year	<u>2,490,111</u>	<u>2,888,999</u>
Cash - end of year	<u>\$ 2,204,119</u>	<u>\$ 2,490,111</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

# OUR WORLD NEIGHBORHOOD CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

### NOTE 1 - NATURE OF ORGANIZATION

Our World Neighborhood Charter School (OWN) is an educational corporation that operates as a charter school in the Borough of Queens, New York. On July 18, 2012, the Board of Regents and the Board of Trustees of the State University of New York, on behalf of the State Education Department, granted OWN a charter valid for a term of five years and renewable upon expiration. OWN was organized to increase learning opportunities for students through innovative educational programs and to enable parents to be more involved in their children's education. In both fiscal years 2016 and 2015, OWN operated classes for approximately 700 students in grades K-8.

OWN is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. OWN is supported primarily by state and local per-pupil operating revenues.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of accounting*** - The financial statements are prepared on the accrual basis of accounting.

***Use of estimates*** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash - reserve for dissolution*** - The cash reserve for dissolution represents funds held aside for contingency purposes as required by the School's Charter.

***Investments - certificates of deposit - reserve for dissolution*** - Certificates of deposit held for investment that are not debt securities are included in "investments - certificates of deposit." Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as "short-term investments - certificates of deposit." Certificates of deposit with remaining maturities greater than one year are classified as "long-term investments - certificates of deposit." The investments - certificates of deposit - reserve for dissolution represent funds held aside for contingency purposes as required by the School's Charter.

***Accounts receivable*** - Accounts receivable consist of unpaid tuition balances. Accounts receivable are presented net of allowances for doubtful accounts. The allowances are based on management's evaluation of the collectibility of the related accounts. Interest is not accrued or recorded on outstanding receivables.

-continued-



**OUR WORLD NEIGHBORHOOD CHARTER SCHOOL****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016 AND 2015****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Allowance for doubtful accounts*** - OWN determines whether an allowance for uncollectibles should be provided for pledges and accounts receivable. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

***Prepaid expenses*** - Payments made to vendors that cover future periods are recorded as prepaid expenses.

***Fixed assets*** - Fixed assets are recorded at cost. Items with a cost of \$5,000 or more and an estimated useful life of more than one year are capitalized.

***Unrestricted net assets*** - Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors.

***State and local per-pupil operating revenues*** - Revenues from the state and local governments resulting from OWN's charter status and based on the number of students enrolled are recorded when services are performed in accordance with the charter agreement. These grants are recorded as revenue by OWN when services are rendered.

***Government grants*** - Revenues from other government grants to which OWN is entitled is recognized mostly on student enrollment. Some grants are provided for specific educational endeavors which are not based on student enrollment and are recorded when related expenditures are incurred by OWN.

***Food program grants*** - Food program grants represent both state and local government subsidies to pay for meals for eligible students.

***Contributions*** - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donors. The gifts are reported as temporarily or permanently 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 time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

-continued-

**OUR WORLD NEIGHBORHOOD CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016 AND 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***In-kind contributions*** - In-kind contributions consist of textbooks, library books and software from the NYC Board of Education. These contributions are recorded at fair value at the date of donation.

***Other revenues*** - The nonreimbursable portion of meals served and field trips are included in other revenues.

***Depreciation and amortization*** - Leasehold improvements are amortized on the straight-line basis over the lesser of their useful lives of 37-39 years or the term of the lease, whichever is shorter. Depreciation is computed on the straight-line basis over the estimated useful lives of 3-5 years.

***Functional allocation of expenses*** - The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

***Uncertainty in income taxes*** - The School has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2013 and subsequent remain subject to examination by applicable taxing authorities.

***Subsequent events*** - Subsequent events have been evaluated through October 26, 2016, which is the date the financial statements were available to be issued.

**NOTE 3 - FIXED ASSETS**

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 3,801,193	\$ 3,624,144
Furniture and equipment	1,480,642	1,454,594
Construction in progress	<u>981,183</u>	<u>981,183</u>
	6,263,018	6,059,921
Accumulated depreciation and amortization	<u>(2,797,810)</u>	<u>(2,598,809)</u>
	<u>\$ 3,465,208</u>	<u>\$ 3,461,112</u>

-continued-

**OUR WORLD NEIGHBORHOOD CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016 AND 2015**

**NOTE 4 - LEASE COMMITMENT**

On July 15, 2002, OWN entered into a sublease agreement with Mosaica Education, Inc. (the Sublandlord) for premises located at 36-12 35<sup>th</sup> Avenue, Astoria, New York (Lower School) for a term ending September 30, 2010, which was extended for an additional five years. In consideration of value under the Sublease Agreement, OWN paid the Landlord (New York City Economic Development Corporation) for executing various agreements of Purchase, Assignment and Assumption of the leased premises. On November 6, 2006, OWN purchased the lease agreement from the Sublandlord for \$480,000. The \$480,000 represents deferred rent expense, which is being amortized over the life of the lease. In August 2015, OWN extended their lease agreement with the New York City Economic Development Corporation for an additional five years.

The extended lease expires on September 30, 2020.

OWN entered into a two-year lease of a school building located at 31-20 37<sup>th</sup> Street, Astoria, NY (Middle School), which expired on June 30, 2007, which was extended to June 30, 2013. On September 1, 2013, OWN entered into a new lease agreement for the same space through July 31, 2018.

The future minimum lease payments are as follows:

2017	\$ 802,308
2018	819,030
2019	482,349
2020	464,067
2021	<u>116,868</u>
	<u>\$ 2,684,622</u>

Rent expense for the years ended June 30, 2016 and 2015 was \$872,988 and \$910,273, respectively.

**NOTE 5 - PENSIONS**

OWN maintains a 401(k) plan for its employees. OWN provides a 100% match of salary deferral up to 3% and a discretionary profit sharing of up to 3% of eligible compensation. Pension expense for the years ended June 30, 2016 and 2015 was \$276,039 and \$353,388, respectively.

-continued-

**OUR WORLD NEIGHBORHOOD CHARTER SCHOOL****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016 AND 2015****NOTE 6 - CONTINGENCIES**

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.

OWN is party to various litigations which, in the opinion of management, will not have a material adverse impact on its financial position.

**NOTE 7 - CONCENTRATIONS**

Financial instruments which potentially subject OWN to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits.

OWN obtained approximately 90% of its operating revenues in 2016 and 92% of its operating revenues in 2015, through its charter from New York State.

OUR WORLD NEIGHBORHOOD CHARTER SCHOOL

SCHEDULE 1

SCHEDULE OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2016 AND 2015

	No. of Positions	2016						Total
		Program Services			Supporting Services			
		Education	Special Education	Total	Management and General	Fundraising	Total	
Personnel service costs								
Administrative staff personnel	16	\$ 759,096	\$ 88,440	\$ 847,536	\$ 1,082,004	\$ 74,638	\$ 1,156,642	\$ 2,004,178
Instructional personnel	79	4,112,434	299,237	4,411,671				4,411,671
Non-instructional personnel	2	81,150		81,150				81,150
Total personnel service costs	97	4,952,680	387,677	5,340,357	1,082,004	74,638	1,156,642	6,496,999
Payroll taxes and employee benefits		1,180,392	106,686	1,287,078	445,014	18,648	463,662	1,750,740
Occupancy (Note 4)		800,422		800,422	274,142		274,142	1,074,564
Contracted services		268,636		268,636	24,307	6,000	30,307	298,943
Supplies and equipment		396,471	705	397,176	61,103	4,812	65,915	463,091
Repairs and maintenance		249,281		249,281	100,173		100,173	349,454
Printing and postage		4,570		4,570	2,223	1,005	3,228	7,798
Professional fees					62,460		62,460	62,460
Security		75,124		75,124	18,781		18,781	93,905
Insurance		76,656		76,656	19,363		19,363	96,019
Advertising		15,897		15,897		1,529	1,529	17,426
Telephone		82,432		82,432	26,432		26,432	108,864
Travel		3,155		3,155	179		179	3,334
Food services		218,524		218,524				218,524
Professional development		17,761		17,761	3,969	990	4,959	22,720
Depreciation and amortization		184,390		184,390	14,611		14,611	199,001
Miscellaneous expenses		33,627		33,627	39,394	40	39,434	73,061
Total expenses (Exhibit B)		\$ 8,560,018	\$ 495,068	\$ 9,055,086	\$ 2,174,155	\$ 107,662	\$ 2,281,817	\$ 11,336,903

-continued-

SCHEDULE OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2016 AND 2015

	No. of Positions	2015						Total
		Program Services			Supporting Services			
		Education	Special Education	Total	Management and General	Fundraising	Total	
Personnel service costs								
Administrative staff personnel	17				\$ 1,062,517	\$ 73,960	\$ 1,136,477	\$ 1,136,477
Instructional personnel	67	\$ 4,076,399	\$ 321,818	\$ 4,398,217				4,398,217
Non-instructional personnel	10	677,651	86,500	764,151				764,151
Total personnel service costs	94	4,754,050	408,318	5,162,368	1,062,517	73,960	1,136,477	6,298,845
Payroll taxes and employee benefits		1,312,948	114,715	1,427,663	431,788	21,035	452,823	1,880,486
Occupancy (Note 4)		923,021		923,021	201,557		201,557	1,124,578
Contracted services		272,283		272,283	22,825	750	23,575	295,858
Supplies and equipment		380,147	471	380,618	81,045	8,869	89,914	470,532
Repairs and maintenance		277,378		277,378	90,853		90,853	368,231
Printing and postage		5,483		5,483	2,145	903	3,048	8,531
Professional fees					59,151		59,151	59,151
Security		69,939		69,939	16,499		16,499	86,438
Dues and subscription		7,842		7,842	9,365		9,365	17,207
Insurance		85,801		85,801	8,617		8,617	94,418
Advertising		26,908		26,908		300	300	27,208
Telephone		65,747		65,747	20,377		20,377	86,124
Bad debts					7,206		7,206	7,206
Travel		1,005		1,005	197		197	1,202
Food services		262,599		262,599				262,599
Professional development		49,193	7,750	56,943	13,421	351	13,772	70,715
Depreciation and amortization		222,497		222,497	21,352		21,352	243,849
Miscellaneous expenses		48,166		48,166	8,155	47	8,202	56,368
Total expenses (Exhibit B)		\$ 8,765,007	\$ 531,254	\$ 9,296,261	\$ 2,057,070	\$ 106,215	\$ 2,163,285	\$ 11,459,546

See independent auditor's report.

The accompanying notes are an integral part of these statements.



**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 Auditor's Report

**Board of Trustees  
Our World Neighborhood 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 Our World Neighborhood Charter School, which comprise the balance sheet as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2016.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Our World Neighborhood Charter 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 Our World Neighborhood Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Our World Neighborhood Charter 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.

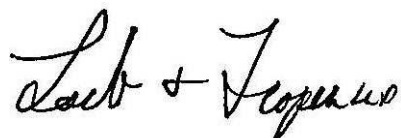
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Our World Neighborhood Charter 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.



October 26, 2016