

VERTUS CHARTER SCHOOL

ADVISORY COMMENT LETTER

JUNE 30, 2020

October 29, 2020

Board of Trustees
Vertus Charter School

In planning and performing our audit of the financial statements of Vertus Charter School (the “Charter School”) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter School’s internal control over financial reporting (ianc \$ 0 M a(tU

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Status of matters included in our letter as of June 30, 2019, dated October 29, 2019

Material Audit Adjustment

During our audit, we noted cont

Status of matters included in our letter as of June 30, 2016, dated October 24, 2016:

The following item was not considered a significant deficiency or material weakness:

Birth Certificates

During our audit, we reviewed student fM

It was noted the Chief Executive Officer (CEO) of the Charter School was not signing bank reconciliations showing her approval as stated in the FPPM.

The FPPM states for purchases over \$20,000, multiple bids should be solicited to ensure best value. We noted that certain services over \$20,000 did not receive multiple bids.

We noted a check over \$20,000 contained only the signature of the CEO; however, the FPPM requires checks over \$20,000 to be signed by either the Board Chair or the Treasurer of the Board, in addition to the CEO or COO.

Recommendation

The Charter School has extensive policies and procedures which are formally documented in the FPPM and has hired an outside financial consultant to assist with these controls. We recommend the Charter School continue to implement these internal controls as documented in the FPPM. If revisions to these policies or procedures are required to reflect changes, they should be documented and disseminated to all affected personnel.

Status at June 30, 2016

During our 2016 audit, we noted checks over \$20,000 were not being signed by a Board Member. We recommend the Charter School continue to implement this internal control as documented in the FPPM. All other matters appear to have been resolved in the current year.

Status at June 30, 2017

During our 2017 audit, we noted certain financial policies and procedures were not always followed. We noted a check over \$20,000 was not signed by a Board Member. We also noted one instance where a packing slip was not kept in the cash disbursement packet. In addition, we noted certain debit card purchases were made before receiving proper pre-approval from the Head of School or Board Member, as required by the Financial Policies and Procedures Manual (FPPM). We recommend the Charter School continue to implement these internal controls as documented in the FPPM.

Status at June 30, 2018

During our audit, we noted certain financial policies and procedures were not always followed. We noted certain debit card purchases were made before receiving proper pre-approval from the Head of School or Board Member. We recommend the Charter School continue to implement these internal controls as documented in the FPPM.

Status at June 30, 2019

During our audit, we noted certain financial policies and procedures were not always followed. We noted certain bank reconciliations were not reviewed by the Principal and were not signed off documenting review. Checks were not deposited in a timely manner. Additionally, we noted the Principal approved her own expense reimbursements and the reimbursements were not approved by the Board. We also noted certain debit card purchases were made before receiving pre-approval from the Principal or Board Member and receipts were not maintained for certain debit card purchases. We recommend the Charter School continue to implement these internal controls as documented in the FPPM.

Status at June 30, 2020

During our audit, we noted the Financial Associate did not sign off on certain bank statements documenting review. Additionally, we noted the Principal approved her own expense reimbursements and the reimbursements were not approved by the Board. We also noted certain debit card purchases were made without documented approval from the Principal and receipts were not maintained for certain debit card purchases. We recommend the Charter School continue to implement these internal controls as documented in the FPPM.

* * * * *

This communication is intended solely for the information and use of the Board of Trustees, management, others within the organization, and governmental authorities and is not intended to be, and should not be, used by anyone other than these specified parties.

VERTUS CHARTER SCHOOL

ROCHESTER, NEW YORK

AUDITED FINANCIAL STATEMENTS

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2020

(With Comparative Totals for 2019)

VERTUS CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(With Comparative Totals for 2019)

	<u>ASSETS</u>	2020	2019
<u>CURRENT ASSETS</u>			

VERTUS CHARTER SCHOOL

VERTUS CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

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

	No. of Positions	Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Total	Year ended June 30, 2019
Personnel services costs:									
Administrative staff personnel	9	\$ 179,681	\$ 43,449	\$ 223,130	\$ 204,712	\$ 4,488	\$ 209,200	\$ 432,330	\$ 327,296
Instructional personnel	35	1,472,093	621,375	2,093,468	-	-	-	2,093,468	2,435,323
Non-instructional personnel	<u>18</u>	<u>198,190</u>	<u>44,385</u>	<u>242,575</u>	<u>29,776</u>	<u>-</u>	<u>29,776</u>	<u>272,351</u>	<u>310,163</u>
Total salaries and wages	62	1,849,964	709,209	2,559,173	234,488	4,488	238,976	2,798,149	3,072,782
Fringe benefits and payroll taxes		344,116	137,647	481,763	47,647	-	47,647	529,410	550,895
Retirement		48,501	19,401	67,902	6,716	-	6,716	74,618	69,489
Legal services		-	-	-	321	-	321	321	667
Accounting/Audit fees		-	-	-	17,715	-	17,715	17,715	17,315
Professional fees - other		34,104	13,618	47,722	51,182	-	51,182	98,904	160,832
Building and land rent		319,099	127,639	446,738	44,183	-	44,183	490,921	490,920
Repairs and maintenance		51,693	20,678	72,371	7,158	-	7,158	79,529	102,493
Insurance		39,532	15,813	55,345	5,474	-	5,474	60,819	64,035
Utilities		MMMM092	M 9,197	32,189	M	46	\$ 1	MMMMMMMMMMMMMMMMMMMM	58

VERTUS CHARTER SCHOOL
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020
(With Comparative Totals for 2019)

<u>CASH FLOWS - OPERATING ACTIVITIES</u>	2020	2019
Change in net assets	\$ 445,512	\$ (477,726)
Adjustments to reconcile change in net assets to net cash provided from (used for) operating activities:		
Depreciation and amortization	154,413	180,969
Chan		

VERTUS CHARTER SCHOOL

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>		
Cash paid during the year for interest	<u>\$ 7,140</u>	<u>\$ 10,888</u>
<u>NON-CASH INVESTING AND FINANCING ACTIVITIES</u>		
Capital leases entered into for property and equipment	<u>\$ 31,211</u>	<u>\$ -</u>

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

VERTUS CHARTER SCHOOL

NOTES TO 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

State and local per pupil operating revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School 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 Charter School 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 Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

Fundraising

The Charter School conducts fundraising events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event— the exchange component, and a portion represents a contribution to the Charter School. Unless a verifiable objectiM

VERTUS CHARTER SCHOOL

NOTES TO 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

Grants and other receivables

Grants and other 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

VERTUS CHARTER SCHOOL

NOTES TO 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 Charter School files Form 990 tax returns in the U.S. federal jurisdiction. 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 believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

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VERTUS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative totals for 2019)

NOTE B: LIQUIDITY AND AVAILABILITY

VERTUS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative totals for 2019)

NOTE E: CAPITAL LEASE PAYABLE

The Charter School entered into a capital lease payable during July 2019, payable in monthly installments of \$1,536 including interest at 1.37% per annum, through July 2021. The capital lease payable is secured by certain equipment. The capital lease had \$20,604 outstanding as of June 30, 2020 and is classified as a current liability at June 30, 2020.

The lease agreement is through July 2021 and is for the right to use certain equipment which is included in property and equipment in the accompanying statement of financial position at June 30, 2020. The net book value of this equipment was \$25,489 at June 30, 2020. Depreciation expense related to the capital lease was \$5,722 for the year ended June 30, 2020.

Interest expense related to the capital lease was \$3,580 during the year ended June 30, 2020.

NOTE F: LEASE COMMITMENTS

The Charter School leases office equipment under non-cancelable lease agreements at a monthly cost of approximately \$784 that will expire at various dates through July 2023. Total costs under these agreements were approximately \$25,200 for the year ended June 30, 2020 and \$29,800 for the year ended June 30, 2019.

The Charter School has entered into a capital lease agreement which is described in Note E.

Future undiscounted minimum lease payments for all leases are as follows:

<u>Year ending June 30,</u>	<u>Operating leases</u>	<u>Capital leases</u>	<u>Total</u>
2021	\$ 8,478	\$ 19,963	\$ 28,441
2022	7,761	1,536	9,297
2023	6,756	-	6,756
2024	563	-	563
	<u>\$ 23,558</u>	<u>\$ 21,499</u>	<u>\$ 45,057</u>

VERTUS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative totals for 2019)

NOTE G: LONG-TERM DEBT AND LINE OF CREDIT

Long-term debt is summarized as follows:

	June 30,	
	2020	2019
Note payable to a financial institution with monthly payments of \$5,563, including interest at 4.22%. The note is payable in full April 2021.		
		\$ 10,000

VERTUS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative totals for 2019)

NOTE I: CONCENTRATIONS

At June 30, 2020 and 2019, approximately 100% and 79% of grants and other receivables are due from the federal government relating to certain grants, respectively. At June 30, 2019, approximately 21% of grants and other receivables are due from the state government relating to per-pupil revenue. There were no grants and other receivables due from the state government relating to per-pupil revenue at June 30, 2020.

For the years ended June 30, 2020 and 2019, approximately 92% and 89%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. 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 J: RETIREMENT PLAN

The Charter School sponsors a 401(k) retirement plan (the "Plan") for its employees. The Plan allows for the Charter School to make a safe harbor match to the Plan of 100% of salary deferrals up to the first 3% of plan compensation plus 50% of salary deferrals up to the next 2% of plan compensation. The Charter School contributed \$74,618 and \$69,489 to the Plan for the years ended June 30, 2020 and 2019, respectively.

NOTE K: NET ASSETS

Net assets without donor restrictions consist of the following:

VERTUS CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

Board of Trustees
Vertus Charter School

We have audited, in accordance with the auditing standards gene

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vertus 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*.

We noted certain matters that we have reported to management of Vertus Charter School in a separate letter dated October 29, 2020.

Charter School’s Response to Finding

Vertus Charter School’s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Vertus Charter School’s response was not subjected to the auditing procedures applied in the

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VERTUS CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020

Finding 2020-001

Statement of condition

During our audit, we noted state and local per pupil operating revenue was overstated and federal revenues were understated. This resulted in material adjustments.

Criteria and effect of conditions

The per pupil reconciliations and federal grant tagging reports were prepared incorrectly resulting in material audit adjustments.

Recommendation

We recommend the Charter School's finance team gain more experience and training in these areas to be sure revenue is calculated correctly.

Management response

Management agrees. When recording revenue, management will review all reconciliations and confirm that revenues are allocated properly.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Finding 2019-001

Statement of condition

During our audit, we noted contribution revenue was overstated. This resulted in a material audit adjustment.

Criteria and effect of conditions

A note payable from a related party was incorrectly recorded as a contribution resulting in a material audit adjustment.

Recommendation

We recommend the Charter School review the detail of all transactions to assure proper accounting treatment.

Management response

Management agrees. When recording contributions, management will review all agreements provided with the funds.

Current status

During our 2020 audit, we noted cpa auc Mpo2o a n d š # id #



Annual Financial Statement Audit Report

for Board of Regents Authorized Intermediate Schools

School Name:	Vertus Charter School
Date (Report is due Nov. 1):	November 1, 2020
Primary District (select one):	
(If NYC select R01 - R10, R11 - R12, R13 - R14, R15 - R16, R17 - R18, R19 - R20, R21 - R22, R23 - R24, R25 - R26, R27 - R28, R29 - R30, R31 - R32, R33 - R34, R35 - R36, R37 - R38, R39 - R40, R41 - R42, R43 - R44, R45 - R46, R47 - R48, R49 - R50, R51 - R52, R53 - R54, R55 - R56, R57 - R58, R59 - R60, R61 - R62, R63 - R64, R65 - R66, R67 - R68, R69 - R70, R71 - R72, R73 - R74, R75 - R76, R77 - R78, R79 - R80, R81 - R82, R83 - R84, R85 - R86, R87 - R88, R89 - R90, R91 - R92, R93 - R94, R95 - R96, R97 - R98, R99 - R100)	
If located in NYC select one:	
School Fiscal Contact Name:	Jason Iszariak
School Fiscal Contact Email:	
School Fiscal Contact Phone:	
School Auditor Name:	Michael McGee, CPA & Co., LLC
School Audit Contact Name:	Michelle Cain
School Audit Contact Email:	
School Audit Contact Phone:	
Audit Period:	2019-20
Prior Year:	2018-19

The following items are required to be included:

- 1.) The independent auditor's report on financial statements
- 2.) Exceptional items and the accompanying workpapers.
- 3.) Reports on internal controls over financial reporting and compliance.

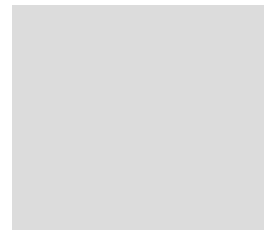
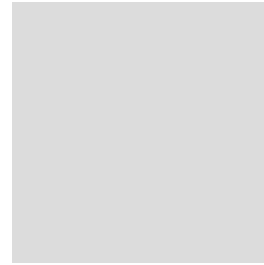
The additional items listed below should be included if applicable. Please explain the reason(s) if the items are not included. If the amount of the items exceeds the Single Audit Threshold of \$750,000, the management letter response will be submitted (should have been submitted) from the submission of the report.

Item	If not included, please explain the reason(s)
Management Letter	
Management Letter Response	
Form 990	Not complete
Federal Single Audit (A-133)	N/A
Corrective Action Plan	N/A

	2020	2019
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 920,691	\$ -
Grants and contracts receivable	71,238	34,727
Accounts receivables	-	-
Prepaid Expenses	2,135	256
Contributions and other receivables	-	-
Other current assets	-	-
TOTAL CURRENT ASSETS	994,064	34,983
<u>NON-CURRENT ASSETS</u>		
Property, Building and Equipment, net	\$ 430,548	\$ 537,251
Restricted Cash	75,000	75,000
Security Deposits	-	-
Other Non-Current Assets	-	-
TOTAL NON-CURRENT ASSETS	505,548	612,251
TOTAL ASSETS	1,499,612	647,234
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 203,929	\$ 141,558
Accrued payroll, payroll taxes and benefits	143,268	121,314
Current Portion of Loan Payable	314,078	62,953
Due to Related Parties	-	125,000
Refundable Advances	-	-
Deferred Revenue	50,000	-
Other Current Liabilities	20,604	150,000
TOTAL CURRENT LIABILITIES	731,879	600,825
<u>LONG-TERM LIABILITIES</u>		
Loan Payable; Due in More than One Year	\$ -	\$ -
Deferred Rent	219,897	213,560
Due to Related Party	-	-
Other Long-Term Liabilities	324,080	54,605
TOTAL LONG-TERM LIABILITIES	543,977	268,165
TOTAL LIABILITIES	1,275,856	868,990
<u>NET ASSETS</u>		
Unrestricted	\$ 222,155	\$ (250,676)
Temporarily restricted	-	-
Permanently restricted	-	-

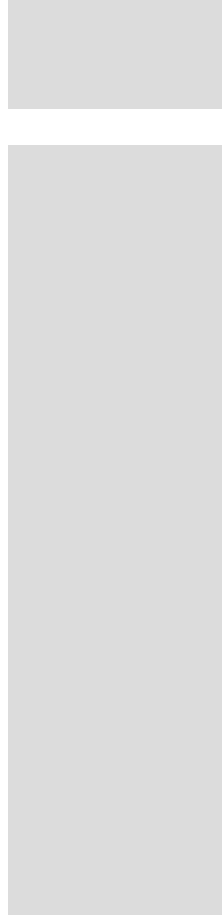
Unrestricted

Temporarily



	2020	2019
CASH FLOWS - OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 445,512	

No. of Positions	Regular Education	Special Education	Other Education	Total
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Findings t 2020



Vertus Charter Sc [(4400 F)-fs612

2020-21
Approved

Notes - 2020-21

Total Number of Students	300	RCSD - 271 - Outside - 25
Number of Special Ed Students	60	Assume 20% (current estimate is closer to 70)
Revenue		
4100 State Grants		
4101 Per Pupil General Education	4,136,100	Based on guidance from NYCSA
4102 Per Pupil Special Education	990,000	Assumes 95% paid at full 60% rate
4103 SSF Grant	0	
Total 4100 State Grants	5,126,100	
4200 Federal Grants		
4201 IDEA Special Needs	70,000	2019-20 Actual \$73,433
4202 Title I	170,000	2019-20 Actual \$174,234
4203 Title IIA	20,000	2019-20 Actual \$20,940
4204 Title IVA	10,000	2019-20 Actual \$10,939
4205 CSP	0	
4206 E-Rate	28,000	Project 2020-21 budget
4207 School Food		
Total 4200 Federal Grants	298,000	
4300 Contributions & Donations		
4301 Restricted Contributions	50,000	McGowan Foundation
4302 Unrestricted Contributions	0	
4303 NGLC Grant	0	
4304 Farash Foundation	0	
4305 Fundraising	125,000	\$100K Summers Foundation - Additional \$25K needed
Total 4300 Contributions & Donations	175,000	
4400 Fundraising		
4401 Fundraising Events	25,000	Basketball Tournament
Total 4400 Fundraising	25,000	
4500 Interest Income		
4501 Interest Income	0	
Total 4500 Interest Income	0	
Total Revenue	5,624,100	
Expenditures		
2200 Misc. Payables		
2201 Loan Payable	51,000	Remaining balance due

Vertus Charter School Budget

CONFIDENTIAL

2020-21
Approved

Notes - 2020-21

Vertus Charter School Budget
CONFIDENTIAL

2020-21
Approved

Notes - 2020-21

Total 6200 Insurance	65,000	
6300 Professional Services		
6301 Accounting/Audit	26,000	MMB audit fees plus DKB audit preparation
6302 Payroll Services	8,000	
6303 Financial Management Services	36,000	

Vertus Charter School Budget

CONFIDENTIAL

2020-21
Approved

Notes - 2020-21



Vertus Charter School Budget

CONFIDENTIAL

2020-21
Approved

Notes - 2020-21

FOR INQUIRIES CALL: HENRIETTA
 (585) 427-2000

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VERTUS CHARACTER SCHOOL FOR SCHOOL
 ESCROW ACCOUNT
 21 HUMBOLDT ST
 ROCHESTER, NY 14609

ACCOUNT TYPE	STATEMENT PERIOD
M&T A/E	06/01/2020
ACCOUNT NUMBER	
DEPOSIT BALANCE	
DEPOSITS & CREDITS	0.00
LESS CHECKS & DEBITS	0.00
CHARGES	0.00
ENDING BALANCE	\$75,000.00

ACCOUNT ACTIVITY

POSTING DATE	TRANSACTION DESCRIPTION	DEPOSITS & OTHER	WITHDRAWALS	BALANCE
06/01/2020	BEGINNING BALANCE			\$75,000.00
	NUMBER OF DEPOSITS/CHECKS	0	0	

AVOID OVERDRAWING YOUR ACCOUNT. OVERDRAWING YOUR ACCOUNT IN EXCESS OF \$100 PER TRANSACTION WITHIN A \$5,000 LIMIT MAY BE DELAYED. PLEASE REFER TO YOUR BANK'S WEBSITE FOR MORE INFORMATION.
 WE RESERVE THE RIGHT TO WITHHOLD ANY DEPOSIT UNTIL WE RECEIVE THE FULL PAYMENT.
 BUSINESS DAY CUTOFF TIME WILL NOW BE 10:00 AM. DEPOSITS RECEIVED AFTER CUTOFF TIME ON A BUSINESS DAY THAT WE ARE OPEN WILL BE DEPOSITED THE NEXT BUSINESS DAY.
 M&T

HOW TO BALANCE YOUR M&T BANK ACCOUNT

