

# IMAGINE ME LEADERSHIP CHARTER SCHOOL

---

## FINANCIAL STATEMENTS

JUNE 30, 2019

# IMAGINE ME LEADERSHIP CHARTER SCHOOL

---

## TABLE OF CONTENTS

---

INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 13
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 <i>Government Auditing Standards</i>	14 – 15
Schedule of Findings and Responses	16 – 18



## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Imagine Me Leadership Charter School

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

We have audited the accompanying financial statements of Imagine Me Leadership 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.

### ***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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School'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 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 financial statements.

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

An independent member of Baker Tilly International

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Imagine Me Leadership Charter School as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019 on our consideration of Imagine Me Leadership 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 the 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 Imagine Me Leadership Charter School's internal control over financial reporting and compliance.

**MBAF CPAs, LLC**

New York, NY  
October 25, 2019

**IMAGINE ME LEADERSHIP CHARTER SCHOOL**

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

**ASSETS**

---

Cash	\$	1,094,757
Cash - restricted		75,000
Grants and other receivables		91,660
Security deposit		37,500
Property and equipment, net		<u>31,570</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>1,330,487</u></b>

**LIABILITIES AND NET ASSETS**

---

LIABILITIES

Accounts payable and accrued expenses	\$	27,397
Accrued salaries and other payroll related expenses		359,761
Due to NYC Department of Education		<u>1,867</u>
<b>TOTAL LIABILITIES</b>		<b>389,025</b>

NET ASSETS

Net assets - without donor restrictions		<u>941,462</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>1,330,487</u></b>

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

**IMAGINE ME LEADERSHIP CHARTER SCHOOL**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

---

OPERATING REVENUE WITHOUT DONOR RESTRICTIONS	
State and local per pupil operating revenue	\$ 3,689,793
Government grants and contracts	<u>239,258</u>
	<u>3,929,051</u>
EXPENSES	
Program services	2,982,999
Management and general	<u>924,227</u>
	<u>3,907,226</u>
SURPLUS FROM SCHOOL OPERATIONS	<u>21,825</u>
SUPPORT AND OTHER INCOME	
Interest and miscellaneous income	<u>129,124</u>
	<u>129,124</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	150,949
NET ASSETS - BEGINNING OF YEAR	<u>790,513</u>
NET ASSETS - END OF YEAR	<u><b>\$ 941,462</b></u>

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

**IMAGINE ME LEADERSHIP CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	No. of Positions	Program Services			Supporting Services	2019
		Regular Education	Special Education	Total	Management and General	
<b>Personnel services costs:</b>						
Instructional personnel	34	\$ 1,174,037	\$ 183,961	\$ 1,357,998	\$ 514,919	\$ 1,872,917
Administrative personnel	13	448,896	70,338	519,234	196,881	716,115
Salaries and wages	47	<b>1,622,933</b>	<b>254,299</b>	<b>1,877,232</b>	<b>711,800</b>	<b>2,589,032</b>
Payroll taxes and employee benefits		250,187	39,202	289,389	82,751	372,140
Classroom supplies and instructional materials		115,335	18,072	133,407	11,252	144,659
Insurance		23,463	3,676	27,139	11	27,150
Interest and bank service charge		2,112	331	2,443	205	2,648
Office expense		53,593	8,397	61,990	-	61,990
Postage and delivery		3,116	488	3,604	117	3,721
Printing and photocopying		2,713	425	3,138	211	3,349
Depreciation expense		-	-	-	39,138	39,138
Repairs and maintenance		7,611	1,192	8,803	938	9,741
Staff professional development		29,596	4,637	34,233	321	34,554
Recruitment		7,215	1,130	8,345	594	8,939
Professional fees		127,020	19,903	146,923	45,014	191,937
Utilities		16,321	2,557	18,878	4,774	23,652
Equipment rental		21,708	3,402	25,110	740	25,850
Rent		277,377	43,462	320,839	25,509	346,348
Travel & meals		13,824	2,166	15,990	632	16,622
Miscellaneous expenses		4,515	1,021	5,536	220	5,756
		<b>\$ 2,578,639</b>	<b>\$ 404,360</b>	<b>\$ 2,982,999</b>	<b>\$ 924,227</b>	<b>\$ 3,907,226</b>

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

**IMAGINE ME LEADERSHIP CHARTER SCHOOL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from operating revenue	\$ 4,040,056
Cash received from interest income	371
Other cash received	128,753
Cash paid to employees and suppliers	<u>(4,161,066)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 8,114

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	<u>(14,099)</u>
------------------------------------	-----------------

NET CASH USED IN INVESTING ACTIVITIES (14,099)

NET DECREASE IN CASH (5,985)

CASH AND CASH - RESTRICTED - BEGINNING OF YEAR 1,175,742

CASH AND CASH - RESTRICTED - END OF YEAR **\$ 1,169,757**

Reconciliation of change in net assets to net cash provided by operating activities:

Change in net assets	\$ 150,949
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	39,138
Deferred rent	(61,799)
Changes in operating assets and liabilities:	
Grants and other receivables	109,138
Prepaid expenses and other assets	18,881
Accounts payable and accrued expenses	(259,677)
Accrued salaries and other payroll related expenses	9,617
Due to NYC Department of Education	<u>1,867</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES **\$ 8,114**

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

**Cash and cash - restricted consist of:**

Cash	\$ 1,094,757
Cash - restricted	<u>75,000</u>
Total	<b><u>\$ 1,169,757</u></b>

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



# IMAGINE ME LEADERSHIP CHARTER SCHOOL

---

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

### 1. NATURE OF THE ORGANIZATION

---

Imagine Me Leadership Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on November 20, 2009 to operate a charter school pursuant to Article 56 of the Educational Law of the State of New York. The School was granted a provisional charter on January 12, 2010, which is renewable upon expiration by the Board of Regents of the University of the State of New York. The School opened its doors in the fall of 2010 in Brooklyn, New York with a rigorous academic program and a highly structured and supportive school culture. The School is designed to provide a positive, nurturing environment, where boys learn to become responsible citizens, life-long leaders and community leaders. The School's charter was renewed for an additional five years, expiring in July 2024.

On August 6, 2010, the School, as determined by the Internal Revenue Service, was approved for federal income tax exemption under Section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC. It is also currently exempt under a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(ii) of the IRC. The School's primary sources of income are government grants, contracts, and per pupil funding.

In fiscal year 2019, the School operated classes for students in kindergarten through fifth grade.

The New York City Department of Education ("NYCDOE") provides free lunches and transportation directly to a majority of the School's students.

### 2. SIGNIFICANT ACCOUNTING POLICIES

---

#### Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the School's net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets – with donor restrictions or without donor restrictions – be displayed in a statement of financial position and that the amount of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Net Assets with Donor Restrictions consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor-imposed restrictions are perpetual in nature.

Net Assets without Donor Restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. This net asset category includes both contributions not subject to donor restrictions and exchange transactions, such as state and local per pupil operating revenue.

#### Cash – Restricted

Included in cash – restricted is an escrow account of \$75,000 at June 30, 2019, which is held aside for contingency purposes as required by the Board of Regents.

## IMAGINE ME LEADERSHIP CHARTER SCHOOL

---

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

---

### Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

### Grants and Other Receivables

Grants receivable represent federal and state entitlements and grants. Grants and other receivables are expected to be collected within one year, are recorded at net realizable value, and amounted to \$91,660 at June 30, 2019. The School has determined that no allowance for uncollectible accounts was necessary at June 30, 2019. Such estimate is based on management's assessment of the creditworthiness of its grantors, the aged basis of its receivables, as well as current economic conditions and historical information.

### Revenue Recognition

Revenue is 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. Contributions of assets other than cash are recorded at their estimated fair value.

Revenue from 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 certain state and local funds are recorded when expenditures are incurred and billable to the government agencies.

The School receives a substantial portion of its support and revenue from the NYCDOE. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Property and equipment are being depreciated in accordance with the straight-line method over their estimated useful lives (Note 4). Leasehold improvements are amortized over the shorter of the life of the asset or the life of the lease. The School has established a \$1,000 threshold above which assets are capitalized. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

### Impairment

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized for the year ended June 30, 2019.

## IMAGINE ME LEADERSHIP CHARTER SCHOOL

---

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

---

### **Deferred Rent**

In accordance with U.S. GAAP, rent expense is recognized on a straight-line basis over the life of the lease, including future scheduled escalations of rent, rather than in accordance with lease payments. Deferred rent represents the adjustment to future rents as a result of using the straight-line method.

### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of the proportionate share of instructional and management and general expenses. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

### **Subsequent Events**

The School has evaluated events through October 25, 2019, which is the date the financial statements were available to be issued.

### **Income Taxes**

The School follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, disclosure and transition.

The School files informational returns in the federal jurisdiction. With few exceptions, the School is no longer subject to federal income tax examinations for fiscal years before 2016.

The School believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the School would classify it as interest expense. The School would classify penalties in connection with underpayments of income tax as other expense.

The School is subject to tax reportable on Form 990T consisting of unrelated business income if they have provided pre-tax transportation benefits to employees.

## IMAGINE ME LEADERSHIP CHARTER SCHOOL

---

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

---

### Adoption of Accounting Pronouncement

#### *Financial Statement Presentation*

During the year ended June 30, 2019, the School adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The major changes include, but are not limited to: (a) requiring the presentation of two classes of net assets now titled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations on gifts used to acquire or construct long-lived assets absent explicit donor restrictions otherwise, (d) requiring the presentation of an analysis of expenses by function and nature, (e) requiring the disclosure of information regarding liquidity and availability of resources, and (f) presenting investment return net of external and direct internal investment expenses. In addition, the update removes the requirement that statements of cash flows using the direct method also present a reconciliation consistent with the indirect method. The adoption of this update had no other material effect on the School’s financial position and changes in net assets. In addition, the School has elected to continue to present a reconciliation in the statement of cash flows consistent with the indirect method.

### Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued an accounting standards update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. The School is currently evaluating the effect the update will have on its financial statements.

In June 2018, the FASB issued an accounting standards update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The School is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its financial statements.

In February 2016, the FASB issued an accounting standards update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements, lessor accounting, and disclosures related to accounting changes and error corrections. The School is currently evaluating the effect the update will have on its financial statements.

**IMAGINE ME LEADERSHIP CHARTER SCHOOL**

---

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

---

**Recent Accounting Pronouncements (continued)**

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the School's presentation of comparative periods in the financial statements will continue to be in accordance with current lease accounting. The School is evaluating the method of adoption it will elect. The update is effective for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021, with early application permitted.

**3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES**

---

The School maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the School invests cash in excess of weekly requirements in cash equivalents, which are highly liquid investments with an initial maturity of three months or less.

The School's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash	\$ 1,094,757
Cash - restricted	75,000
Grants and other receivables	91,660
Total financial assets	<u>1,261,417</u>
Less amounts unavailable for general expenditures within one year due to:	
Restricted by contract with time or purpose	<u>(75,000)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 1,186,417</u>

At June 30, 2019, the School has no board designated net assets.

**IMAGINE ME LEADERSHIP CHARTER SCHOOL**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**4. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30 2019:

		<u>Estimated Useful Life</u>
Equipment	\$ 52,784	3-5 years
Furniture	92,126	7 years
Computers	316,525	3 years
Software	15,025	5 years
Website	1,190	3 years
Leasehold improvements	<u>43,923</u>	Term of lease
	521,573	
Less: accumulated depreciation	<u>(490,003)</u>	
	<b><u>\$ 31,570</u></b>	

Depreciation expense for the year ended June 30, 2019 was \$39,138.

**5. PENSION PLAN**

Effective March 1, 2011, the School implemented a 403(b) plan with Principal Financial Group for its employees. Employees are automatically enrolled in the plan as soon as they become an employee of the School. Employees are automatically enrolled at 4% but may change their percentage at any time not to exceed 10% of their pay. The School may make discretionary and matching contributions to the plan; however, no contributions were made by the school for the year ended June 30, 2019. The plan has a three-year schedule at which point employees become fully vested in the School's contributions.

The School is a participating employer in the Teachers' Retirement System of the City of New York ("TRS" or the "Plan"), a cost-sharing multiple-employer public employee retirement system that provides pension benefits for all the teachers and administrative personnel employed by the Department of Education and certain employees of charter schools and the City University of New York. As a participating employer of the Plan, the School is not permitted to withdraw from the Plan.

Employer contributions to the Plan are determined by the Plan's Chief Actuary of the Office of the Actuary in accordance with state statutes and city laws, and include amounts to reduce the Plan's underfunding.

Accounting standards require employers participating in multiemployer plans to provide detailed quantitative and qualitative disclosures for these plans. TRS, which is sponsored by the City of New York, does not impose an expiration date on participating employers. The zone status is consistent with the Pension Protection Act and is for the Plan's year-end at June 30, 2018. The zone status is based on information provided in the TRS Comprehensive Annual Financial Report, which includes information from TRS' actuary and is certified by TRS' auditor. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded and plans in the green zone are at least 80 percent funded. TRS did not report a rehabilitation plan. Information related to the Plan is comprised of the following:

<i>Pension Fund</i>	<i>Plan Month/Day End Date</i>	<i>Zone Status</i>	<u>Contributions</u>
			<i>2019</i>
<i>Teachers' Retirement System</i>	<i>06/30</i>	<i>Yellow – As of June 30, 2018</i>	\$92,042

## IMAGINE ME LEADERSHIP CHARTER SCHOOL

---

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

#### 6. RISK MANAGEMENT

---

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks.

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

#### 7. CONCENTRATIONS

---

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of cash deposits. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000.

The School received approximately 91% of its total revenue from per pupil funding from the NYCDOE during the year ended June 30, 2019.

The School's grants and other receivables consist of one major grantor accounting for 100% as of June 30, 2019.

The School's payables consist of two major vendors accounting for 98% as of June 30, 2019.

#### 8. COMMITMENT AND CONTINGENCIES

---

The School entered into a lease agreement with Saint Paul Community Baptist Church for leasing the premises at 818 Schenck Avenue, Brooklyn, NY 11207 which expired on June 30, 2019. The School is currently renting the property on a month-to-month basis as they continue to work with the landlord and the legal team on an updated lease agreement.

Rent expense and occupancy costs for the year ended June 30, 2019 was \$346,348.



**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**

To the Board of Trustees  
Imagine Me Leadership Charter School

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 financial statements of Imagine Me Leadership 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 25, 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 School'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-002 and 2019-003 that, collectively, we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as Finding 2019-01.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the School in a separate letter dated October 25, 2019.

An independent member of Baker Tilly International





### **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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**MBAF CPAs, LLC**

New York, NY  
October 25, 2019

IMAGINE ME LEADERSHIP CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:
Material weakness (es) identified? yes no
Significant deficiency (ies) identified that are not considered to be material weaknesses? yes no
Noncompliance material to financial statements noted? yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding: 2019-01

Criteria and condition: The School is required to be in compliance with the New York State Education Department (“NYSED”) requirements. The teacher certification exemption allows charter schools to have up to 15 uncertified teachers. The School had 17 teachers that were uncertified.

Context: NYSED requires the School to have no more than 15 uncertified teachers, with the provision that five of these teachers are teaching math, science, computer science, technology, or career and technical education, with the remaining ten teachers not restricted.

Cause: Lack of qualified candidates at the time of hiring needed to meet NYSED requirements.

Effect: The School can be under additional scrutiny from the New York City Department of Education for not being in compliance with the NYSED requiring teachers to be qualified through certification.

Recommendation: We recommend the School review its hiring and recruitment procedures and staff retention policies in order to be in compliance with the NYSED teacher qualification requirements.

View of Responsible Officials and Planned Corrective Actions: See corrective action plan.

Finding: 2019-02

Criteria: Sound internal controls provide a uniform system wherein management designates responsible personnel to perform supervision, review and approval functions over key financial reporting processes.

Condition: There is only one individual with access to the journal entry process and no other individual reviews the journal entries or supporting documentation as to why the journal entry was made. This individual is also responsible for cash disbursements and bank reconciliations.

Cause: Inadequate segregation of duties.

Effect: Malfeasance could be perpetrated without the School being able to prevent, detect or correct the offense.

IMAGINE ME LEADERSHIP CHARTER SCHOOL

---

SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

---

**Finding: 2019-02 (continued)**

Recommendation: We recommend that a system be put in place where one individual is responsible for recording the financial data timely, while a second, more experienced accountant reviews the activity and related support for accuracy. In addition, we recommend that all cash payments require a receipt. Reconciliations and checks should also be reviewed, signed and dated by a separate member of the finance team.

View of Responsible Officials and Planned Corrective Actions: See corrective action plan.

**Finding: 2019-03**

Criteria: The School should prepare and review analyses of balance sheet accounts including, fixed assets, accounts receivable, accounts payable and accrued expense on a monthly basis and reconcile to the general ledger control account.

Condition: These specific analyses were not prepared/reviewed by the School throughout the year and where prepared, did not agree to the general ledger detail.

Effect: The School's balance sheet accounts were not maintained throughout the year.

Cause: The School did not prepare these balance sheet analyses or reconcile to the general ledger on a timely basis.

Recommendation: The School should prepare these analyses and perform reconciliations to the accounting records on a monthly basis to ensure the accuracy and integrity of the financial information.

View of Responsible Officials and Planned Corrective Actions: See corrective action plan.

## IMAGINE ME LEADERSHIP CHARTER SCHOOL

---

### SCHEDULE OF FINDINGS AND RESPONSES JUNE 30, 2019

#### SECTION III – VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

---

**Finding: 2019-01**

The School acknowledges the shortage of certified general and special education teachers. We will continue to stay enrolled in the New York Charter Certification program which assists current teachers with receiving their certification. We will continue to utilize professional agencies with Committees on Special Education 6 and 19, maintain our membership with the Charter Collaborative, posting on Indeed, and attending charter fairs to identify certified teachers. Our hiring season will also start in December, which will give us ample time to vet for the certified teachers.

**Finding: 2019-02**

The School will reach out to experienced CPA organizations to identify a CPA to review financial reporting accuracy on a regular basis. Regarding segregation of duties, the School has hired an additional administrative assistant in the finance office who uses the Square terminal. This individual is responsible for collecting, depositing and reporting all cash transactions into the School. The bookkeeper is no longer engaged in the movement of money.

**Finding: 2019-03**

The School will reach out to experienced CPA organizations to identify a CPA to review financial reporting accuracy on a regular basis.