

Growing Up Green Charter School

Financial Statements

June 30, 2017 and 2016

Independent Auditors' Report

Board of Trustees Growing Up Green Charter School

We have audited the accompanying financial statements of Growing Up Green Charter School (the "School"), which comprise the statement of financial position as of June 30, 2017, 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.

Auditors' 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 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.

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, 2017, 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.

Prior Period Financial Statements

The summarized comparative financial statements as of June 30, 2016 and for the year then ended, were audited by other auditors who ceased operations. Those auditors expressed an unmodified opinion on those financial statements in their report dated September 27, 2016.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017, 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 30, 2017

Growing Up Green Charter School

Statement of Financial Position June 30, 2017 (with comparative amounts at June 30, 2016)

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,208,828 | \$ 1,703,279 |
| Grants and contracts receivable | 397,807 | 223,092 |
| Prepaid expenses and other current assets | 185,348 | 134,233 |
| Due from related party | <u>369,423</u> | <u>330,701</u> |
| Total Current Assets | 2,161,406 | 2,391,305 |
| Property and equipment, net | 1,459,231 | 1,393,081 |
| Restricted cash - line of credit | 752,378 | - |
| Restricted cash - escrow | 71,177 | 70,999 |
| Security deposits | <u>65,000</u> | <u>65,000</u> |
| | <u>\$ 4,509,192</u> | <u>\$ 3,920,385</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 65,531 | \$ 46,722 |
| Accrued payroll and payroll taxes | 668,882 | 554,719 |
| Refundable advances | <u>8,619</u> | <u>11,869</u> |
| Total Current Liabilities | 743,032 | 613,310 |
| Deferred rent | <u>262,924</u> | <u>259,897</u> |
| Total Liabilities | <u>1,005,956</u> | <u>873,207</u> |
| Net Assets | | |
| Unrestricted | 3,503,236 | 3,022,178 |
| Temporarily restricted | <u>-</u> | <u>25,000</u> |
| Total Net Assets | <u>3,503,236</u> | <u>3,047,178</u> |
| | <u>\$ 4,509,192</u> | <u>\$ 3,920,385</u> |

Growing Up Green Charter School

Statement of Activities Year Ended June 30, 2017 (with summarized totals for the year ended June 30, 2016)

| | 2017 | | | 2016 |
|--|---------------------|---------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| REVENUE AND SUPPORT | | | | |
| State and local per pupil operating revenue | \$ 12,805,143 | \$ - | \$ 12,805,143 | \$ 11,185,882 |
| State and local per pupil facilities funding | 374,929 | - | 374,929 | 362,249 |
| Federal grants | 266,579 | - | 266,579 | 292,925 |
| State and city grants | 61,593 | - | 61,593 | 51,303 |
| Contributions and private grants | 29,589 | - | 29,589 | 63,308 |
| Donated services | - | - | - | 2,700 |
| Interest and other income | 119,527 | - | 119,527 | 214,876 |
| Net assets released from restrictions | <u>25,000</u> | <u>(25,000)</u> | <u>-</u> | <u>-</u> |
| Total Revenue and Support | <u>13,682,360</u> | <u>(25,000)</u> | <u>13,657,360</u> | <u>12,173,243</u> |
| EXPENSES | | | | |
| Program Services | | | | |
| Regular education | 9,036,691 | - | 9,036,691 | 8,182,673 |
| Special education | <u>2,870,786</u> | <u>-</u> | <u>2,870,786</u> | <u>2,549,787</u> |
| Total Program Services | 11,907,477 | - | 11,907,477 | 10,732,460 |
| Supporting Services | | | | |
| Management and general | 1,214,075 | - | 1,214,075 | 983,804 |
| Fundraising | <u>79,750</u> | <u>-</u> | <u>79,750</u> | <u>67,656</u> |
| Total Expenses | <u>13,201,302</u> | <u>-</u> | <u>13,201,302</u> | <u>11,783,920</u> |
| Change in Net Assets | 481,058 | (25,000) | 456,058 | 389,323 |
| NET ASSETS | | | | |
| Beginning of year | <u>3,022,178</u> | <u>25,000</u> | <u>3,047,178</u> | <u>2,657,855</u> |
| End of year | <u>\$ 3,503,236</u> | <u>\$ -</u> | <u>\$ 3,503,236</u> | <u>\$ 3,047,178</u> |

Growing Up Green Charter School

Statement of Functional Expenses Year Ended June 30, 2017 (with summarized totals for the year ended June 30, 2016)

| | 2017 | | | | | 2016 |
|---|---------------------|---------------------|----------------------|---------------------|------------------|----------------------|
| | Program Services | | | Management and | | |
| | Regular Education | Special Education | Total | General | Fundraising | Total |
| Salaries | \$ 5,438,855 | \$ 1,743,078 | \$ 7,181,933 | \$ 725,039 | \$ 49,993 | \$ 7,956,965 |
| Payroll taxes and employee benefits | 1,250,704 | 400,834 | 1,651,538 | 166,730 | 11,496 | 1,829,764 |
| Professional development | 97,970 | 25,747 | 123,717 | 4,569 | 315 | 128,601 |
| Audit and accounting fees | - | - | - | 20,250 | - | 20,250 |
| Legal fees | 17,418 | 5,582 | 23,000 | 2,322 | 160 | 25,482 |
| Financial management fees | - | - | - | 35,000 | - | 35,000 |
| Security services | 74,678 | 23,933 | 98,611 | 9,956 | 686 | 109,253 |
| Consulting fees | 19,361 | 4,706 | 24,067 | 12,432 | 1,368 | 37,867 |
| Other professional fees | 173,664 | 47,715 | 221,379 | 34,113 | 773 | 256,265 |
| Staff and student recruitment | 24,409 | 7,012 | 31,421 | 2,036 | 140 | 33,597 |
| Student meals | 25,274 | 5,858 | 31,132 | - | - | 31,132 |
| Curriculum and classroom materials | 432,381 | 131,366 | 563,747 | 3,616 | 249 | 567,612 |
| Rent expense | 783,487 | 251,097 | 1,034,584 | 104,445 | 7,202 | 1,146,231 |
| Utilities | 84,699 | 27,145 | 111,844 | 11,289 | 779 | 123,912 |
| Maintenance and repairs | 64,077 | 20,536 | 84,613 | 8,540 | 589 | 93,742 |
| Office supplies | 111,832 | 35,841 | 147,673 | 14,907 | 1,028 | 163,608 |
| Postage and delivery | 6,386 | 2,047 | 8,433 | 851 | 59 | 9,343 |
| Telephone and internet services | 21,794 | 6,985 | 28,779 | 2,905 | 200 | 31,884 |
| Information technology | 66,701 | 21,377 | 88,078 | 8,891 | 613 | 97,582 |
| Insurance | 50,159 | 16,075 | 66,234 | 6,687 | 461 | 73,382 |
| Dues and subscriptions | 16,583 | 5,315 | 21,898 | 2,211 | 152 | 24,261 |
| Equipment leasing | 24,179 | 7,749 | 31,928 | 3,224 | 222 | 35,374 |
| Depreciation and amortization | 252,080 | 80,788 | 332,868 | 33,605 | 2,317 | 368,790 |
| Loss on disposition of property and equipment | - | - | - | - | - | - |
| General fundraising expenses | - | - | - | - | 948 | 948 |
| Miscellaneous | - | - | - | 457 | - | 457 |
| Total | <u>\$ 9,036,691</u> | <u>\$ 2,870,786</u> | <u>\$ 11,907,477</u> | <u>\$ 1,214,075</u> | <u>\$ 79,750</u> | <u>\$ 13,201,302</u> |
| | | | | | | <u>\$ 11,783,920</u> |

Growing Up Green Charter School

Statement of Cash Flows

Year Ended June 30, 2017

(with comparative amounts for the year ended June 30, 2016)

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 456,058 | \$ 389,323 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation and amortization | 368,790 | 299,112 |
| Deferred rent | 3,027 | 34,083 |
| Loss on disposition of property and equipment | - | 5,183 |
| Changes in operating assets and liabilities | | |
| Grants and contracts receivable | (174,715) | (118,561) |
| Prepaid expenses and other current assets | (51,115) | (15,414) |
| Due from related party | (38,722) | (330,701) |
| Accounts payable and accrued expenses | 18,809 | 7,833 |
| Accrued payroll and payroll taxes | 114,163 | 142,670 |
| Refundable advances | (3,250) | (25,208) |
| Net Cash from Operating Activities | <u>693,045</u> | <u>388,320</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (434,940) | (457,304) |
| Restricted cash | <u>(752,556)</u> | <u>(177)</u> |
| Net Cash from Investing Activities | <u>(1,187,496)</u> | <u>(457,481)</u> |
| Net Change in Cash and Cash Equivalents | (494,451) | (69,161) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | <u>1,703,279</u> | <u>1,772,440</u> |
| End of year | <u>\$ 1,208,828</u> | <u>\$ 1,703,279</u> |

Growing Up Green Charter School

Notes to Financial Statement
June 30, 2017 and 2016

1. Organization and Tax Status

Growing Up Green Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on December 16, 2008 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 16, 2008 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 approved and issued several renewals to the School's charter expiring on June 30, 2022. The School's mission is to empower children to be conscious, contributing members of their community through a rigorous curriculum and an engaging green culture. Graduates of the School will be prepared to attend high performing schools where their interdisciplinary academic foundations, knowledge of sustainability, and strong sense of self sets them apart as leaders of the future. Classes commenced in Long Island City, New York, on September 9, 2009 and the School provided education to approximately 780 students in grades kindergarten through eighth during the 2016-2017 academic year.

The New York City Department of Education provides free lunches and transportation directly to some of the School's students. Such costs are not included in these financial statements. The School covers a portion of 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.

Growing Up Green Charter School

Notes to Financial Statement
June 30, 2017 and 2016

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

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:

Unrestricted - consist of resources available for the general support of the School's operations. Unrestricted net assets may be used at the discretion of the School's management and Board of Trustees.

Temporarily Restricted - represent amounts restricted by donors for specific activities of the School or to be used at some future date. The School records contributions as temporarily restricted 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions are met in the same accounting period in which they are received, such amounts are reported as unrestricted net assets.

Permanently Restricted - consist of net assets that are subject to donor imposed restrictions that require the School to maintain them permanently, including funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income and gains earned on endowment fund investments are available to be used in the unrestricted or temporarily restricted net asset classes based upon stipulations by the donors.

The School had no permanently restricted net assets at June 30, 2017 and 2016.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances held in bank accounts and highly liquid financial 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.

Growing Up Green Charter School

Notes to Financial Statement
June 30, 2017 and 2016

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, whereby such assets are expensed as incurred.

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

| | |
|-----------------------|---------|
| Equipment | 5 years |
| Furniture and fixture | 7 years |
| Software | 3 years |
| Website development | 5 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 the fair value. There were no asset impairments for the years ended June 30, 2017 and 2016.

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 temporarily restricted support 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 unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Growing Up Green Charter School

Notes to Financial Statement
June 30, 2017 and 2016

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

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, 2014.

Prior Year Summarized Comparative Financial Information

The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

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 30, 2017.

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 within one year.

Growing Up Green Charter School

Notes to Financial Statement June 30, 2017 and 2016

4. Property and Equipment

Property and equipment consists of the following at June 30:

| | 2017 | 2016 |
|--|---------------------|---------------------|
| Equipment | \$ 892,478 | \$ 784,106 |
| Furniture and fixtures | 495,490 | 476,540 |
| Software and website development | 19,133 | 16,823 |
| Leasehold improvements | 1,289,696 | 984,388 |
| | 2,696,797 | 2,261,857 |
| Accumulated depreciation and amortization | (1,237,566) | (868,776) |
| | <u>\$ 1,459,231</u> | <u>\$ 1,393,081</u> |

5. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 5% of the participant's annual compensation. Employer match for the years ended June 30, 2017 and 2016 amounted to \$131,887 and \$111,130.

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, 2017, approximately \$1,780,000 of cash was maintained with an institution in excess of FDIC limits.

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, 2017 and 2016, the School received approximately 97% and 95% of 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. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 were restricted for the use of green-related projects and released from restrictions during the year ended June 30, 2017.

Growing Up Green Charter School

Notes to Financial Statement
June 30, 2017 and 2016

9. Related Party Transactions

Friends of Growing Up Green

The School is an affiliate of Friends of Growing Up Green ("Friends of GUG"), a New York State not-for-profit corporation, through common management. Friends of GUG supports the School through technical and financial assistance. For the years ended June 30, 2017 and 2016, Friends of GUG made contributions to the School in the amount of \$36,300 and \$0. There were no other material transactions between Friends of GUG and the School.

Growing Up Green Charter School II

The School is an affiliate of Growing Up Green Charter School II ("GUG II"), a New York State not-for-profit education corporation who both share common management and board members. The School was not required to consolidate financial statements with GUG II as the School does not have an economic interest in the net assets of GUG II. During the years ended June 30, 2017 and 2016, the School charged \$81,953 and \$30,701 of operating expenses to GUG II. In addition, the School entered into four interest free loan agreements between February 2016 and January 2017, totaling \$346,000 with GUG II. These loans are due by June 30, 2018 and were used for GUG II startup costs. Balance due from GUG II at June 30, 2017 and 2016 was \$369,423 and \$330,701. In October 2017, GUG II paid the School the first quarterly payment of \$86,500 on this loan.

On March 21, 2017, the School co-signed a \$750,000 commercial line of credit with a financial institution along with GUG II. The line of credit matures on March 21, 2018 and monthly payments consist of the greater of 2% of the outstanding principal balance on the last day of the billing period, or \$100, plus accrued interest. The interest rate is 0.500 percentage points over the greater of the Prime Rate or the Minimum Interest Rate. At June 30, 2017, the interest rate was 4.75% and the outstanding balance of \$284,490 under this line of credit is reflected on GUG II's financial statements. The School assigned and granted the lender a security interest in one of its deposit accounts with the financial institution. At June 30, 2017, the balance of the pledged deposit account was \$752,378.

10. Commitments

Facility Leases

The School is obligated under a non-cancelable operating lease for office and classroom space at 39-27 28th Street, Long Island City, New York, expiring on August 31, 2019, with a renewal option for an additional ten years. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes and other operating expenses.

On May 15, 2014, the School entered into an agreement to lease additional property at 36-49 11th Street, Long Island City, New York for a period of 10 years. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes and other operating expenses. This location became the home of Growing Up Green Middle School starting with the 2014-2015 academic year.

Growing Up Green Charter School

Notes to Financial Statement June 30, 2017 and 2016

10. Commitments (*continued*)

Facility Leases (continued)

The future minimum lease payments for both facility leases are as follows:

| | |
|---------------------------|---------------------|
| Year ending June 30, 2018 | \$ 1,151,238 |
| 2019 | 1,183,936 |
| 2020 | 546,608 |
| 2021 | 430,239 |
| 2022 | 445,298 |
| Thereafter | <u>917,492</u> |
| | <u>\$ 4,674,811</u> |

The School recognizes rent expense on a straight-line basis over the term of the lease. Rent expense in excess of payments is recorded as deferred rent in the accompanying statements of financial position. Rent expense for the years ended June 30, 2017 and 2016 amounted to \$1,146,231 and \$1,160,393.

Equipment Leases

The School leases various copiers under non-cancelable operating leases expiring at various dates through June 2020. The future minimum lease payments under the copier leases are as follows:

| | |
|---------------------------|------------------|
| Year ending June 30, 2018 | \$ 38,809 |
| 2019 | 38,809 |
| 2020 | <u>21,000</u> |
| | <u>\$ 98,618</u> |

Equipment leasing expense for the years ended June 30, 2017 and 2016 amounted to \$35,374 and \$29,190.

11. Donated Services

Donated services are recognized as contributions in accordance with US GAAP if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School, and (c) are measurable. The value of these services meets the criteria for recognition in the financial statements and was recorded at fair value of \$0 and \$2,700 for the years ended June 30, 2017 and 2016.

Growing Up Green Charter School

Notes to Financial Statement
June 30, 2017 and 2016

12. Contingency

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.

Independent Auditors' 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
Growing Up Green 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 Growing Up Green Charter School (the "School"), which comprise the statement of financial position as of June 30, 2017, 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 30, 2017.

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 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.

PKF O'Connor Davies, LLP

Harrison, New York
October 30, 2017

Growing Up Green Charter School

Independent Auditors' Report on Communication of Internal Control Matters

June 30, 2017

**Independent Auditors Communication on
Internal Control Matters**

**The Board of Trustees
Growing Up Green Charter School**

In planning and performing our audit of the financial statements of Growing Up Green Charter School (the "School") as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, audit committee, board of Trustees, The Department of Education of the City of New York, The State Education Department of the State University of New York, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by the Personnel of the School during the course of our audit.

PKF O'Connor Davies, LLP
October 30, 2017



October 30, 2017

To the Board of Trustees
Growing Up Green Charter School

Re: Auditors' Communication with Those Charged with Governance

We have audited the financial statements of Growing Up Green Charter School (the "School") as of and for the year ended June 30, 2017, and have issued our report thereon dated October 30, 2017. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 31, 2017. This letter provides additional required communications related to our audit.

Our responsibility under professional standards

Our responsibility is to form and express an opinion about whether the financial statements, which are the responsibility of management, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). Those individuals charged with governance of the School are responsible for the oversight of the financial reporting process, and our audit does not relieve management and those charged with governance of their respective responsibilities.

In connection with our audit we performed tests of the School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Qualitative aspects of significant accounting practices

Significant accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the reporting period that had a significant impact on the financial statements. No matters have come to our attention that would require us to inform you about (1) the methods used to account for significant unusual transactions, and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Qualitative aspects of significant accounting practices (*continued*)

Significant accounting estimates

Accounting estimates made by management are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Actual results could differ from those estimates.

Certain accounting estimates are particularly sensitive because of their significance to financial statements and their susceptibility to change, such as collectability of grants receivable, useful lives of fixed assets, and functional allocation of expenses. Management believes that the estimates used and assumptions made are adequate based on the information currently available. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements as a whole.

Financial statement disclosures

The financial statement disclosures are consistent and clear.

Significant difficulties encountered during the audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and corrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management.

We are required to communicate to you misstatements that remain uncorrected, including any related to prior periods, and the effect, if any, that they may have on the opinion in our report, and request their correction. There are no such financial statement misstatements that remain uncorrected.

In addition, we are required to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. Our audit did not identify misstatements that were corrected by management.

Disagreements with management

For purposes of this letter, a disagreement with management is a matter, whether or not resolved to our satisfaction, concerning financial accounting, reporting, or auditing, which could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other matters discussed with management

We generally discuss with management a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the School, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed and our responses thereto were a condition to our retention as auditors.

Auditor independence

We affirm that PKF O'Connor Davies, LLP is independent with respect to the School in accordance with the AICPA's *Code of Professional Conduct*.

This communication is intended solely for the information and use of the Board of Trustees and management of the School and is not intended to be and should not be used by anyone other than these specified parties.

Yours sincerely,

A handwritten signature in black ink that reads "PKF O'Connor Davies, LLP". The signature is written in a cursive, flowing style.

PKF O'Connor Davies, LLP