

Growing Up Green Charter School II

Financial Statements

June 30, 2020 and 2019

Independent Auditors' Report

Board of Trustees Growing Up Green Charter School II

Report on the Financial Statements

We have audited the accompanying financial statements of Growing Up Green Charter School II (the "School"), which comprise the statements of financial position as of June 30, 2020 and June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, 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
September 30, 2020

Growing Up Green Charter School II

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS		
Current Assets		
Cash	\$ 2,413,029	\$ 876,779
Grants and contracts receivable	188,466	60,462
Prepaid expenses and other current assets	231,425	157,608
Total Current Assets	2,832,920	1,094,849
Property and equipment, net	1,700,787	1,498,452
Restricted cash	75,386	75,254
Security deposits	199,665	174,780
	\$ 4,808,758	\$ 2,843,335
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 112,221	\$ 75,905
Accrued payroll and payroll taxes	495,388	455,097
Refundable advances	-	17,986
Deferred rent, current portion	113,100	131,099
Due to related party	358,691	337,612
Total Current Liabilities	1,079,400	1,017,699
Paycheck Protection Program loan payable	807,328	-
Deferred rent	1,491,300	1,342,201
Total Liabilities	3,378,028	2,359,900
Net assets, without donor restrictions	1,430,730	483,435
	\$ 4,808,758	\$ 2,843,335

See notes to financial statements

Growing Up Green Charter School II

Statements of Activities

	Year Ended June 30,	
	2020	2019
OPERATING REVENUE		
Public School District		
Regular student enrollment	\$ 6,866,744	\$ 5,438,485
Students with disabilities	1,147,813	996,781
Universal pre-kindergarten	-	331,200
Facilities funding	900,000	720,000
Grants and Contracts		
Federal - E-Rate, IDEA, and Titles	187,735	193,153
State and local	34,178	26,945
Total Operating Revenue	9,136,470	7,706,564
EXPENSES		
Program Services		
Regular education	4,431,439	4,310,944
Special education	2,467,029	2,064,253
Other education - after school	97,844	112,320
Total Program Services	6,996,312	6,487,517
Supporting Services		
Management and general	1,240,535	914,721
Fundraising	10,699	14,340
Total Expenses	8,247,546	7,416,578
Surplus from Operations	888,924	289,986
SUPPORT AND OTHER REVENUE		
Contributions	58,234	79,869
Other income	137	166
Total Support and Other Revenue	58,371	80,035
Change in Net Assets	947,295	370,021
NET ASSETS		
Beginning of year	483,435	113,414
End of year	\$ 1,430,730	\$ 483,435

See notes to financial statements

Growing Up Green Charter School II

Statement of Functional Expenses Year Ended June 30, 2020

	No. of Positions	Program Services			Total	Management and Fundraising		Total
		Regular Education	Special Education	After School		General	Fundraising	
Personnel Services Costs								
Administrative staff personnel	12	\$ 497,707	\$ 110,406	\$ -	\$ 608,113	\$ 416,909	\$ 6,431	\$ 1,031,453
Instructional personnel	50	2,127,261	1,423,465	62,817	3,613,543	-	-	3,613,543
Non-instructional personnel	7	2,705	1,353	-	4,058	200,812	-	204,870
Total Salaries and Staff	69	2,627,673	1,535,224	62,817	4,225,714	617,721	6,431	4,849,866
Fringe benefits and payroll taxes		523,872	306,074	12,524	842,470	123,153	1,282	966,905
Retirement		41,519	24,258	993	66,770	9,760	102	76,632
Legal fees		11,630	6,795	278	18,703	2,734	28	21,465
Accounting and audit services		-	-	-	-	89,869	-	89,869
Other purchased services		173,635	53,935	753	228,323	196,580	825	425,728
Rent expense		558,653	326,395	13,355	898,403	131,330	1,367	1,031,100
Repairs and maintenance		13,129	7,670	314	21,113	3,086	32	24,231
Insurance		25,448	14,868	608	40,924	5,982	62	46,968
Utilities		28,144	16,443	673	45,260	6,616	69	51,945
Supplies and materials		162,275	44,779	936	207,990	2,960	31	210,981
Equipment and furnishings		22,020	9,211	265	31,496	2,607	27	34,130
Staff and professional development		14,847	3,712	-	18,559	-	-	18,559
Marketing and recruiting		32,708	12,727	325	45,760	3,200	33	48,993
Technology		27,277	15,936	652	43,865	6,412	67	50,344
Food services		1,200	300	-	1,500	-	-	1,500
Student services		27,355	6,839	-	34,194	-	-	34,194
Office expense		45,169	26,390	1,080	72,639	10,618	111	83,368
Depreciation and amortization		77,311	45,170	1,848	124,329	18,175	189	142,693
Other		17,574	10,303	423	28,300	9,732	43	38,075
Total Expenses		\$ 4,431,439	\$ 2,467,029	\$ 97,844	\$ 6,996,312	\$ 1,240,535	\$ 10,699	\$ 8,247,546

Growing Up Green Charter School II

Statement of Functional Expenses
Year Ended June 30, 2019

	No. of Positions	Program Services			Total	Management and Fundraising		Total
		Regular Education	Special Education	After School		General	Fundraising	
Personnel Services Costs								
Administrative staff personnel	12	\$ 513,563	\$ 105,885	\$ -	\$ 619,448	\$ 295,349	\$ 8,769	\$ 923,566
Instructional personnel	47	1,929,524	1,128,202	70,490	3,128,216	-	-	3,128,216
Non-instructional personnel	3	2,627	1,313	-	3,940	133,199	-	137,139
Total Salaries and Staff	<u>62</u>	<u>2,445,714</u>	<u>1,235,400</u>	<u>70,490</u>	<u>3,751,604</u>	<u>428,548</u>	<u>8,769</u>	<u>4,188,921</u>
Fringe benefits and payroll taxes		481,729	243,332	13,884	738,945	84,411	1,727	825,083
Retirement		33,941	17,145	978	52,064	5,947	122	58,133
Legal fees		16,291	8,228	470	24,989	2,855	58	27,902
Accounting and audit services		-	-	-	-	78,081	-	78,081
Other purchased services		209,020	62,517	1,391	272,928	157,966	573	431,467
Rent expense		602,010	304,093	17,351	923,454	105,487	2,159	1,031,100
Repairs and maintenance		21,517	10,869	620	33,006	3,770	77	36,853
Insurance		20,515	10,363	591	31,469	3,595	74	35,138
Utilities		31,075	15,697	896	47,668	5,444	111	53,223
Supplies and materials		123,917	32,481	596	156,994	2,018	41	159,053
Equipment and furnishings		26,839	9,513	338	36,690	2,059	42	38,791
Staff and professional development		21,232	5,037	-	26,269	-	-	26,269
Marketing and recruiting		68,291	20,436	456	89,183	2,769	57	92,009
Technology		24,174	12,211	696	37,081	4,235	87	41,403
Food services		2,760	655	-	3,415	-	-	3,415
Student services		55,351	13,130	-	68,481	-	-	68,481
Office expense		40,016	20,213	1,153	61,382	7,013	143	68,538
Depreciation and amortization		71,687	36,211	2,066	109,964	12,561	257	122,782
Other		<u>14,865</u>	<u>6,722</u>	<u>344</u>	<u>21,931</u>	<u>7,962</u>	<u>43</u>	<u>29,936</u>
Total Expenses		<u>\$ 4,310,944</u>	<u>\$ 2,064,253</u>	<u>\$ 112,320</u>	<u>\$ 6,487,517</u>	<u>\$ 914,721</u>	<u>\$ 14,340</u>	<u>\$ 7,416,578</u>

See notes to financial statements

Growing Up Green Charter School II

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 947,295	\$ 370,021
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	142,693	122,782
Deferred rent	131,100	311,100
Changes in operating assets and liabilities		
Grants and contracts receivable	(128,004)	78,646
Prepaid expenses and other current assets	(73,817)	(15,694)
Security deposits	(24,885)	18,490
Accounts payable and accrued expenses	36,316	(10,913)
Accrued payroll and payroll taxes	40,291	143,811
Refundable advances	(17,986)	13,591
Due to related party	<u>21,079</u>	<u>(193,173)</u>
Net Cash from Operating Activities	1,074,082	838,661
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(345,028)	(174,987)
CASH FLOW FROM FINANCING ACTIVITY		
Paycheck Protection Program loan proceeds	<u>807,328</u>	<u>-</u>
Net Change in Cash and Restricted Cash	1,536,382	663,674
CASH AND RESTRICTED CASH		
Beginning of year	<u>952,033</u>	<u>288,359</u>
End of year	<u>\$ 2,488,415</u>	<u>\$ 952,033</u>
The following table provides a reconciliation of cash and restricted cash within the statements of financial position:		
Cash	\$ 2,413,029	\$ 876,779
Restricted cash	<u>75,386</u>	<u>75,254</u>
	<u>\$ 2,488,415</u>	<u>\$ 952,033</u>

See notes to financial statements

Growing Up Green Charter School II

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Tax Status

Growing Up Green Charter School II (the "School") is a New York State, not-for-profit educational corporation that was incorporated on December 15, 2015 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 15, 2015 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 ("Board of Regents"). 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 Jamaica, New York, on September 8, 2016 and the School provided education to approximately 421 students in grades kindergarten through fifth during the 2019-2020 academic year. In February 2020, a revision to the charter was approved by the Board of Regents to gradually increase the grade span to sixth through eighth, beginning in the 2020-2021 school year.

Beginning in July 2016, the School was awarded a contract with the New York City Department of Education ("NYCDOE") to operate a universal pre-kindergarten program. The contract expired on June 30, 2019 and was not renewed by the NYCDOE. The School provided education to approximately 30 students during the 2018-2019 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 II

Notes to Financial Statements
June 30, 2020 and 2019

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

Adoption of New Accounting Policies

Recognition of Contributions

Effective July 1, 2019, the School adopted Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether contributions and grants should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the School recognizes contributions and grants, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Restricted Cash

In November 2016, the Financial Accounting Standards Board issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 requires significant changes regarding how restricted cash is classified and presented on the statement of cash flows. On July 1, 2019, the School adopted the new guidance regarding the presentation and classification of restricted cash. The guidance requires the School to 1) include restricted cash and restricted cash equivalents in the cash and cash equivalent balances on the statements of cash flows, 2) provide a reconciliation between the statements of financial position and the statements of cash flows when more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents is presented on the statements of financial position, 3) eliminate the presentation of transfers between restricted cash and cash, and 4) include disclosures about the nature of the restrictions for material balances. Adoption of the ASU resulted in a change in the accounting for restricted cash on the consolidated statements of cash flows.

Net Asset Presentation

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

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

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions as of June 30, 2020 and 2019.

Growing Up Green Charter School II

Notes to Financial Statements
June 30, 2020 and 2019

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

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.

Property and Equipment

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

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

Equipment	5 years
Furniture and fixtures	7 years
Software	3 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2020 and 2019.

Refundable Advances

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

Revenue and Support

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

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

Growing Up Green Charter School II

Notes to Financial Statements
June 30, 2020 and 2019

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.

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment expense for the years ended June 30, 2020 and 2019 was \$48,993 and \$92,009.

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. All Forms 990 filed by the School are subject to examination.

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 September 30, 2020.

3. Grants and Contracts Receivable

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

Growing Up Green Charter School II

Notes to Financial Statements
June 30, 2020 and 2019

4. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 206,339	\$ 158,537
Furniture and fixtures	183,652	133,463
Software	3,126	3,126
Leasehold improvements	1,693,943	1,419,380
Construction in progress	<u>-</u>	<u>27,526</u>
	2,087,060	1,742,032
Accumulated depreciation and amortization	<u>(386,273)</u>	<u>(243,580)</u>
	<u>\$ 1,700,787</u>	<u>\$ 1,498,452</u>

Construction in progress at June 30, 2019 consisted of various improvements associated with the facilities at 84-35 152nd street, Jamaica, New York (see Note 10).

5. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Cash	\$ 2,413,029	\$ 876,779
Grants and contracts receivable	<u>188,466</u>	<u>60,462</u>
	<u>\$ 2,601,495</u>	<u>\$ 937,241</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in liquid instruments until it is required for operational use. To help manage unanticipated liquidity needs, the School has a line of credit in the amount of \$750,000, which it could draw upon as further disclosed in Note 9.

6. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 401(k), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 5% of the participant's annual compensation. Total employer match for the years ended June 30, 2020 and 2019 amounted to \$76,632 and \$58,133.

Growing Up Green Charter School II

Notes to Financial Statements
June 30, 2020 and 2019

7. 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, 2020 and 2019, approximately \$2,200,000 and \$700,000 of cash was maintained with an institution in excess of FDIC limits.

8. 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, 2020 and 2019, the School received approximately 97% and 96% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

9. Related Party Transactions (not disclosed elsewhere)

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. There were no material transactions between Friends of GUG and the School for the years ended June 30, 2020 and 2019.

Growing Up Green Charter School

The School is an affiliate of Growing Up Green Charter School ("GUG"), 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 statement with GUG as the School does not have an economic interest in the net assets of GUG. During the years ended June 30, 2020 and 2019, GUG charged \$358,691 and \$219,122 of operating expenses to the School.

On March 21, 2017, GUG co-signed a \$750,000 commercial line of credit with a financial institution along with the School. GUG assigned and granted the lender a security interest in one of its deposit accounts with the financial institution. The line of credit was paid in full as of June 30, 2020 and 2019 but remains open.

The balance due to GUG at June 30, 2020 and 2019 was \$358,691 and \$337,612.

Growing Up Green Charter School II

Notes to Financial Statements
June 30, 2020 and 2019

10. Commitments

In July 2016, the School entered into a lease agreement for office and classroom space at 84-35 152nd Street, Jamaica, New York, expiring on June 30, 2036, with a renewal option for an additional ten years and subsequently a renewal option for an additional five years. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes and other operating expenses.

In September 2019, the School entered into a lease agreement for office and classroom space at 89-17 161st Street, Jamaica, New York, which commenced July 1, 2020 and expires July 31, 2053. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes and other operating expenses. Under the terms of the lease, the School paid a security deposit in the amount of \$130,000.

The future minimum lease payments under the above leases are as follows for the year ending June 30:

2021	\$ 1,923,991
2022	3,029,610
2023	3,119,699
2024	3,212,314
2025	3,297,317
Thereafter	<u>104,330,489</u>
	<u>\$ 118,913,420</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, 2020 and 2019 was \$1,031,100 for both years.

11. Paycheck Protection Program Loan Payable

On May 29, 2020, the School received a loan under the Paycheck Protection Program authorized by the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") in the amount of \$807,328. In accordance with the requirements under the CARES Act, the loan may be forgiven based on the associated spending in accordance with regulations under the CARES Act. For amounts under the loan that are not forgiven, these amounts are due 2 years from the date of the loan and interest would accrue on the unforgiven loan balance at 1% per year. The debt forgiveness will be recognized at the time that the financial institution that issued the loan has reviewed and approved the associated spending and determined the forgivable portion. Management believes that most or all of the loan will be forgiven based on the current understanding of the legislative guidance.

Growing Up Green Charter School II

Notes to Financial Statements
June 30, 2020 and 2019

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.

13. Risks and Uncertainties

The School's operations and financial performance may be affected by the recent COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the School may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in state and local per pupil operating revenue, shortfalls and variations in enrollment, and operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditors' Report

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

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 II (the "School"), which comprise the statement of financial position as of June 30, 2020, 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 September 30, 2020.

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
September 30, 2020