

Hellenic Classical Charter School - Staten Island

Financial Statements

June 30, 2020

Independent Auditors' Report

Board of Trustees
Hellenic Classical Charter School - Staten Island

Report on the Financial Statements

We have audited the accompanying financial statements of Hellenic Classical Charter School - Staten Island (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 period from December 11, 2018 (inception) to June 30, 2020, 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 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 the changes in its net assets and its cash flows for the period from December 11, 2018 (inception) to June 30, 2020 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 15, 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
October 15, 2020

Hellenic Classical Charter School - Staten Island

Statement of Financial Position June 30, 2020

ASSETS

Current Assets

Cash	\$ 235,347
Grants and contracts receivable	207,866
Prepaid expenses and other current assets	<u>59,172</u>
Total Current Assets	502,385

Property and equipment, net	139,436
Security deposit	84,333
Restricted cash	<u>20,000</u>

\$ 746,154

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 44,031
Accrued payroll and payroll taxes	190,797
Due to related party	184,766
Deferred rent, current portion	<u>75,680</u>
Total Current Liabilities	495,274

Loan payable	150,000
Deferred rent	<u>202,082</u>
Total Liabilities	847,356

Net Assets (Deficit)

Without donor restrictions	(317,052)
With donor restrictions	<u>215,850</u>
Total Net Assets (Deficit)	<u>(101,202)</u>

\$ 746,154

See notes to financial statements

Hellenic Classical Charter School - Staten Island

Statement of Activities Period from December 11, 2018 (Inception) to June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
State and local per pupil operating revenue	\$ 1,237,962	\$ -	\$ 1,237,962
State and local per pupil facilities funding	183,601	-	183,601
Federal grants	9,684	-	9,684
State grants	6,832	-	6,832
Contributions and grants	50,000	769,226	819,226
Other revenue	2,295	-	2,295
Net assets released from restrictions	553,376	(553,376)	-
Total Revenue and Support	<u>2,043,750</u>	<u>215,850</u>	<u>2,259,600</u>
EXPENSES			
Program Services			
Regular education	1,431,327	-	1,431,327
Special education	276,232	-	276,232
Total Program Services	1,707,559	-	1,707,559
Supporting Services			
Management and general	642,433	-	642,433
Fundraising	10,810	-	10,810
Total Expenses	<u>2,360,802</u>	<u>-</u>	<u>2,360,802</u>
Change in Net Assets	(317,052)	215,850	(101,202)
NET ASSETS (DEFICIT)			
Beginning of period	<u>-</u>	<u>-</u>	<u>-</u>
End of period	<u>\$ (317,052)</u>	<u>\$ 215,850</u>	<u>\$ (101,202)</u>

See notes to financial statements

Hellenic Classical Charter School - Staten Island

Statement of Functional Expenses Period from December 11, 2018 (Inception) to June 30, 2020

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Instructional personnel	17	\$ 713,699	\$ 137,738	\$ 851,437	\$ 12,586	\$ 3,147	\$ 867,170
Administrative staff personnel	9	-	-	-	307,747	2,243	309,990
Total Salaries and Staff	<u>26</u>	<u>713,699</u>	<u>137,738</u>	<u>851,437</u>	<u>320,333</u>	<u>5,390</u>	<u>1,177,160</u>
Employee benefits and payroll taxes		113,318	21,869	135,187	50,861	856	186,904
Contracted services		40,201	7,758	47,959	18,043	304	66,306
Legal		15,764	3,042	18,806	7,075	119	26,000
Auditing and accounting fees		17,511	3,379	20,890	7,859	132	28,881
Classroom supplies		122,224	23,588	145,812	54,858	923	201,593
Student transportation		1,653	319	1,972	742	12	2,726
Repairs and maintenance		15,406	2,973	18,379	6,915	116	25,410
Telephone and internet service		3,859	745	4,604	1,732	29	6,365
Postage and delivery		5,512	1,064	6,576	2,474	42	9,092
Insurance		12,720	2,455	15,175	5,709	96	20,980
Facility expense		344,938	66,570	411,508	154,820	2,605	568,933
Dues and subscriptions		675	130	805	303	5	1,113
Interest		869	168	1,037	390	7	1,434
Depreciation and amortization		6,525	1,259	7,784	2,929	50	10,763
Miscellaneous		<u>16,453</u>	<u>3,175</u>	<u>19,628</u>	<u>7,390</u>	<u>124</u>	<u>27,142</u>
Total Expenses		<u>\$ 1,431,327</u>	<u>\$ 276,232</u>	<u>\$ 1,707,559</u>	<u>\$ 642,433</u>	<u>\$ 10,810</u>	<u>\$ 2,360,802</u>

See notes to financial statements

Hellenic Classical Charter School - Staten Island

Statement of Cash Flows Period from December 11, 2018 (Inception) to June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (101,202)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation and amortization	10,763
Deferred rent	277,762
Changes in operating assets and liabilities	
Grants and contracts receivable	(207,866)
Prepaid expenses and other current assets	(59,172)
Security deposit	(84,333)
Accounts payable and accrued expenses	44,031
Accrued payroll and payroll taxes	190,797
Due to related party	184,766
Net Cash from Operating Activities	<u>255,546</u>

CASH FLOWS FROM INVESTING ACTIVITY

Purchases of property and equipment	(150,199)
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CASH FLOWS FROM FINANCING ACTIVITY

Proceeds from loan payable	<u>150,000</u>
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Net Change in Cash and Restricted Cash	255,347
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CASH AND RESTRICTED CASH

Beginning of period	<u>-</u>
End of period	<u><u>\$ 255,347</u></u>

The following table provides a reconciliation of cash and restricted cash within the statement of financial position:

Cash	\$ 235,347
Restricted cash	<u>20,000</u>
	<u><u>\$ 255,347</u></u>

See notes to financial statements

Hellenic Classical Charter School – Staten Island

Notes to Financial Statements
June 30, 2020

1. Organization and Tax Status

Hellenic Classical Charter School – Staten Island (the “School”) is an education corporation that operates as a charter school in the borough of Staten Island, New York City. On December 11, 2018, the Board of Regents and the Board of Trustees of the University of the State of New York for and on behalf of the State Education Department granted the School a charter valid for a term of five years and renewable upon expiration by the board of regents. The charter expires June 30, 2024. The School was organized to prepare all students intellectually, socially, and emotionally, to gain entry and succeed in the best high schools in New York City. The School provided education to approximately 73 students in grades kindergarten through first during the 2019-2020 academic year.

Effective July 1, 2020, the School merged with Hellenic Charter School (“HCCS”). HCCS ceased to exist as a legal entity in conjunction with the merger. The plan of merger was approved by the New York State Board of Regents on May 1, 2020.

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

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.

Net Assets 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.

Hellenic Classical Charter School – Staten Island

Notes to Financial Statements
June 30, 2020

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 which is three years. 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:

Furniture and fixtures	5 years
Leasehold improvements	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 period from December 11, 2018 (inception) to June 30, 2020.

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.

Contribution revenue is recognized when a donor makes a gift to the School or a promise to make a gift to the School which 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 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.

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.

Hellenic Classical Charter School – Staten Island

Notes to Financial Statements
June 30, 2020

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

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.

Deferred Rent

The School records its rent in accordance with U.S. GAAP guidance whereby all rental payments, including fixed rent increases, are recognized on a straight-line basis as an offset to rent expense. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentives, is reflected in deferred rent in the accompanying statement of financial position.

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 and has not provided an allowance for doubtful accounts.

4. Conditional Promise To Give

On August 22, 2019, the School received a grant from Charter Fund, Inc. totaling \$600,000 for general support of the School in providing for the School's management organization that supports all of the charter schools operated by the School in carrying out its charitable tax exempt purpose. The grant contains various donor conditions related to specific milestones and time periods. Since this grant represents a conditional promise to give, it is not recognized as contributions and grants revenue until donor conditions are met. For the period from December 11, 2018 (inception) to June 30, 2020, revenue recognized under this grant totaled \$400,000 included in contributions and grants on the statement of activities. At June 30, 2020, the remaining balance of this conditional promise to give was \$200,000.

5. Related Party Transactions (not disclosed elsewhere)

The School is an affiliate of Hellenic Classical Charter School ("HCCS"), 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 HCCS as the School does not have economic interest in the net assets of HCCS. The School is supported by HCCS through financial, and facility development efforts. For the years ended June 30, 2020 and 2019, HCCS paid on behalf of the School for shared expenses in the amount of \$46,245 and \$0. The net balance due to HCCS at June 30, 2020 and 2019 was \$184,766 and \$0.

Hellenic Classical Charter School – Staten Island

Notes to Financial Statements June 30, 2020

6. Property and Equipment

Property and equipment consists of the following at June 30, 2020:

Furniture and fixtures	\$ 56,447
Leasehold improvements	33,352
Construction in progress	<u>60,400</u>
	150,199
Accumulated depreciation and amortization	<u>(10,763)</u>
	<u>\$ 139,436</u>

Construction in progress at June 30, 2020 is comprised of costs related to the new School facility, which is expected to be placed in service during the year ending June 30, 2023.

7. 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, 2020:

Cash	\$ 235,347
Grants and contracts receivable	207,886
Other current assets	<u>15,989</u>
	459,222
Net assets with donor restrictions	<u>(215,850)</u>
	<u>\$ 243,372</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 highly liquid instruments until it is required for operational use.

8. Loan Payable

On May 14, 2020, the School entered into a loan agreement with Charter Fund, Inc., in the amount of \$150,000 in order to carry out its charitable tax-exempt purposes, specifically as it relates to COVID-19 response activities to support distance or remote learning to the purchase of technology, internet connectivity, technology support, and printers. The loan does not bear interest and matures November 30, 2021.

9. Net Assets with Donor Restrictions

As of June 30, 2020, net assets with donor restrictions were available for the purposes of remote learning in the amount of \$15,850 and \$200,000 was restricted due to time.

During the year ended June 30, 2020, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors for remote learning in the amount of \$553,376.

Hellenic Classical Charter School – Staten Island

Notes to Financial Statements June 30, 2020

10. Lease Commitment

Facility Lease

On July 17, 2019, the School entered into a three year non-cancelable operating lease for the facility space expiring on July 31, 2022 and paid a security deposit in the amount of \$84,333. Annual lease payments commence at \$200,292 per annum for the first year and increase incrementally through the life of the lease. The School received a rent concession in the amount of \$110,000 for broker fees. The credit will be applied against rent payments due over the lease. For the period from December 11, 2018 (inception) to June 30, 2020 the School received a credit of \$33,611 and has credits due of \$76,389.

In September 2020, the School amended this lease for additional space to build a new facility expiring on July 31, 2067. The School has two ten year options to renew the lease. Under this lease the School will receive a rent abatement in the amount of \$784,000. The School will recognize rent expense on a straight line basis starting with the year ending June 30, 2023.

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

2021	\$ 578,984
2022	689,310
2023	811,518
2024	822,000
2025	822,000
Thereafter	55,431,793
	<u>\$ 59,155,605</u>

Rent expense is recognized on the straight-line basis. The differences between cash payments under the lease agreement and the straight-line rent have been recognized as deferred rent in the accompanying statements of financial position from inception of the lease. Balance in deferred rent at June 30, 2020 was \$277,762. Rent expense under the operating lease for the for the period from December 11, 2018 (inception) to June 30, 2020 was \$427,752.

Equipment lease

In addition, the School entered into a lease for copier machines. These leases started August 1, 2019 for a term of thirty nine months expiring September 30, 2022.

The future minimum lease payments under the copier lease are as follows for the years ending June 30:

2021	\$ 7,152
2022	7,152
2023	2,384
	<u>\$ 16,688</u>

Hellenic Classical Charter School – Staten Island

Notes to Financial Statements June 30, 2020

10. Lease Commitment (*continued*)

The copier lease expense for the period from December 11, 2018 (inception) to June 30, 2020 was \$5,859.

11. 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, approximately \$5,000 was maintained with an institution in excess of FDIC limits.

12. Concentration of Revenue and Support

The School receives a substantial portion of its support and revenue from the New York City Department of Education. For the period from December 11, 2018 (inception) to June 30, 2020, the School received approximately 69% 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.

13. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

14. 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.

15. 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 15, 2020.

Hellenic Classical Charter School – Staten Island

Notes to Financial Statements
June 30, 2020

15. Subsequent Events Evaluation by Management (*continued*)

Effective July 1, 2020, the School merged with Hellenic Charter School (“HCCS”). HCCS ceased to exist as a legal entity in conjunction with the merger. The plan of merger was approved by the New York State Board of Regents on May 1, 2020.

On September 22, 2020, Build NYC Resource Corporation authorized the issuance of tax-exempt bonds, the proceeds of which will be utilized to refinance Hellenic Classical Charter Schools’ current loan as well as provide funding for additional construction at both of Hellenic Classical Charter Schools’ campuses. It is anticipated that the bond transaction will close in December 2020.

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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
Hellenic Classical Charter School – Staten Island**

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 Hellenic Classical Charter School - Staten Island (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 period from December 11, 2018 (inception) to June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated October 15, 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that 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 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as 2020-001.

The School's Response to the Finding

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.

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 15, 2020

Hellenic Classical Charter School – Staten Island

Schedule of Findings and Responses Year Ended June 30, 2020

Section I - Compliance Findings

2020-001- Escrow Account for Dissolution

Criteria

The School should comply with all requirements of its charter agreement.

Condition

Under the provisions of its charter, the School is required to establish an escrow account of no less than \$100,000 to pay for legal and audit expenses that would be associated with a dissolution should it occur. The School may provide for the full amount, in its first-year budget, or provide for a minimum of \$25,000 per year for the first four years of its charter term. Though the School had established a separate escrow account as of June 30, 2020, we note that the balance was less than the amount required by the School's charter. This was funded by the School prior to the issuance of this financial statement.

Cause

This was an oversight by management during the first year of operations.

Effect

The School is not in compliance with its charter agreement and its financial policies and procedures manual.

Recommendation

In an effort to ensure that the School is in compliance with the provisions of its charter, we recommend that the School fund the account with the minimum of \$50,000 to be in compliance with its charter agreement for the year ending June 30, 2021.

Views of Responsible Officials

See management corrective action plan in Exhibit A.



HELLENIC CLASSICAL CHARTER SCHOOL

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Exhibit A: Management Correction Action Plan

2020-001 Escrow Account for Dissolution


Christina Tettonis
Superintendent of Schools

Joy Petrakos
Chief of Operations

Cathy Kakleas
Principal, HCCS-SI

Though the School had established a separate escrow account as of June 30, 2020, it had only funded \$20k of the \$25k required in the first year of the charter. This was due to an understanding with SED that the escrow is required to be funded \$20k per year for the first term of the charter.

Once management was informed by the auditors that the charter agreement states that the school is required to fund the escrow in the amount of \$25k per year, the school made a transfer of \$5k immediately to fully fund the escrow. The transfer was made on October 13, 2020.



Joy Petrakos
Chief of Operations