

Hellenic Classical Charter School

Financial Statements

June 30, 2020 and 2019

Independent Auditors' Report

Board of Trustees
Hellenic Classical Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Hellenic Classical Charter School (the "School"), which comprise the statements of financial position as of June 30, 2020 and 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 October 5, 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 5, 2020

Hellenic Classical Charter School

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS		
Current Assets		
Cash	\$ 1,343,522	\$ 135,048
Grants and contracts receivable	172,582	85,079
Due from related party	184,766	-
Prepaid expenses and other current assets	44,570	41,473
Cash - sinking fund	-	40,387
Total Current Assets	1,745,440	301,987
Property and equipment, net	10,493,655	11,009,746
Restricted cash	71,040	71,040
	\$ 12,310,135	\$ 11,382,773
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 118,862	\$ 359,104
Accounts payable - construction	50,984	361,266
Accrued payroll and payroll taxes	907,602	808,755
Loan payable	7,112,270	7,326,807
Line of credit	-	200,000
Deferred rent, current portion	216,835	216,835
Total Current Liabilities	8,406,553	9,272,767
Paycheck Protection Program loan payable	1,279,500	-
Economic Injury Disaster loan payable	150,000	-
Deferred rent	870,742	653,907
Total Liabilities	10,706,795	9,926,674
Net Assets		
Without donor restrictions	1,439,031	1,362,385
With donor restrictions	164,309	93,714
Total Net Assets	1,603,340	1,456,099
	\$ 12,310,135	\$ 11,382,773

See notes to financial statements

Hellenic Classical Charter School

Statement of Activities Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
State and local per pupil operating revenue	\$ 8,425,540	\$ -	\$ 8,425,540
Universal pre-kindergarten	184,200	-	184,200
Federal grants	184,299	-	184,299
State grants	47,188	-	47,188
Contributions and grants	37,865	91,986	129,851
Interest and other income	19,931	-	19,931
Net assets released from restrictions	21,391	(21,391)	-
Total Revenue and Support	8,920,414	70,595	8,991,009
EXPENSES			
Program Services			
Regular education	6,396,390	-	6,396,390
Special education	717,965	-	717,965
Total Program Services	7,114,355	-	7,114,355
Supporting Services			
Management and general	1,695,405	-	1,695,405
Fundraising	34,008	-	34,008
Total Expenses	8,843,768	-	8,843,768
Change in Net Assets	76,646	70,595	147,241
NET ASSETS			
Beginning of year	1,362,385	93,714	1,456,099
End of year	\$ 1,439,031	\$ 164,309	\$ 1,603,340

See notes to financial statements

Hellenic Classical Charter School

Statement of Activities Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
State and local per pupil operating revenue	\$ 7,823,084	\$ -	\$ 7,823,084
Universal pre-kindergarten	184,273	-	184,273
Federal grants	169,167	-	169,167
State grants	59,995	-	59,995
Contributions and grants	77,680	49,192	126,872
Interest and other income	56,621	-	56,621
Net assets released from restrictions	99,724	(99,724)	-
Total Revenue and Support	8,470,544	(50,532)	8,420,012
EXPENSES			
Program Services			
Regular education	6,582,037	-	6,582,037
Special education	675,810	-	675,810
Total Program Services	7,257,847	-	7,257,847
Supporting Services			
Management and general	1,698,916	-	1,698,916
Fundraising	23,440	-	23,440
Total Expenses	8,980,203	-	8,980,203
Change in Net Assets	(509,659)	(50,532)	(560,191)
NET ASSETS			
Beginning of year	1,872,044	144,246	2,016,290
End of year	\$ 1,362,385	\$ 93,714	\$ 1,456,099

See notes to financial statements

Hellenic Classical Charter School

Statement of Functional Expenses
Year Ended June 30, 2020

	No. of Positions	Program Services			Management and General	Fundraising	Total
		Regular Education	Special Education	Total			
Personnel Services Costs							
Instructional personnel	61	\$ 3,851,865	\$ 439,564	\$ 4,291,429	\$ 33,988	\$ 8,497	\$ 4,333,914
Non Instructional personnel	1	64,233	-	64,233	-	-	64,233
Administrative staff personnel	12	-	-	-	795,255	12,324	807,579
Total Salaries and Staff	<u>74</u>	<u>3,916,098</u>	<u>439,564</u>	<u>4,355,662</u>	<u>829,243</u>	<u>20,821</u>	<u>5,205,726</u>
Employee benefits and payroll taxes		1,002,988	112,581	1,115,569	212,385	5,333	1,333,287
Contracted services		127,985	14,366	142,351	27,101	680	170,132
Legal		31,595	3,546	35,141	6,690	168	41,999
Auditing and accounting fees		29,277	3,286	32,563	6,200	156	38,919
Classroom supplies		158,270	17,765	176,035	33,514	841	210,390
Student transportation		28,537	3,203	31,740	6,043	152	37,935
Repairs and maintenance		63,512	7,129	70,641	13,449	338	84,428
Telephone and internet service		8,469	951	9,420	1,793	45	11,258
Postage and delivery		15,662	1,758	17,420	3,317	83	20,820
Insurance		53,663	6,023	59,686	11,363	285	71,334
Facility expense		495,394	55,606	551,000	104,901	2,634	658,535
Dues and subscriptions		4,898	550	5,448	1,037	26	6,511
Interest		-	-	-	340,952	-	340,952
Depreciation and amortization		410,281	46,052	456,333	86,877	2,181	545,391
Miscellaneous		49,761	5,585	55,346	10,540	265	66,151
Total Expenses		<u>\$ 6,396,390</u>	<u>\$ 717,965</u>	<u>\$ 7,114,355</u>	<u>\$ 1,695,405</u>	<u>\$ 34,008</u>	<u>\$ 8,843,768</u>

See notes to financial statements

Hellenic Classical Charter School

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services			Management and General	Fundraising	Total
	No. of Positions	Regular Education	Special Education			
Personnel Services Costs						
Instructional personnel	63	\$ 3,801,958	\$ 399,329	\$ 4,201,287	\$ 30,650	\$ 4,238,081
Non Instructional personnel	4	89,346	-	89,346	121,062	210,408
Administrative staff personnel	8	-	-	-	641,854	649,567
Total Salaries and Staff	<u>75</u>	<u>3,891,304</u>	<u>399,329</u>	<u>4,290,633</u>	<u>793,566</u>	<u>5,098,056</u>
Employee benefits and payroll taxes		1,053,342	108,234	1,161,576	215,093	1,380,420
Contracted services		150,201	15,434	165,635	30,671	196,841
Legal		31,476	3,234	34,710	6,427	41,249
Auditing and accounting fees		23,819	2,447	26,266	4,864	31,215
Classroom supplies		139,419	14,326	153,745	28,470	182,712
Student transportation		31,606	3,248	34,854	6,454	41,421
Repairs and maintenance		68,299	7,018	75,317	13,947	89,507
Telephone and internet service		8,327	856	9,183	1,700	10,913
Postage and delivery		17,792	1,828	19,620	3,633	23,316
Insurance		49,314	5,067	54,381	10,070	64,627
Facility expense		512,461	52,657	565,118	104,645	671,588
Dues and subscriptions		2,908	299	3,207	594	3,811
Interest		-	-	-	355,901	355,901
Depreciation and amortization		536,989	55,177	592,166	109,653	703,731
Miscellaneous		64,780	6,656	71,436	13,228	84,895
Total Expenses		<u>\$ 6,582,037</u>	<u>\$ 675,810</u>	<u>\$ 7,257,847</u>	<u>\$ 1,698,916</u>	<u>\$ 8,980,203</u>

See notes to financial statements

Hellenic Classical Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 147,241	\$ (560,191)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	534,980	641,265
Amortization of debt issuance costs	10,411	62,466
Deferred rent	216,835	216,837
Changes in operating assets and liabilities		
Grants and contracts receivable	(87,503)	253,911
Due from related party	(184,766)	-
Prepaid expenses and other current assets	(3,097)	14,972
Accounts payable and accrued expenses	(240,242)	(129,121)
Accounts payable - construction	(310,282)	(100,000)
Accrued payroll and payroll taxes	98,847	(225,609)
Net Cash from Operating Activities	182,424	174,530
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(18,889)	(41,408)
Cash - sinking fund	40,387	19,942
Net Cash from Investing Activities	21,498	(21,466)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on loans	(224,948)	(215,807)
Payment on line of credit	(200,000)	-
Proceeds from Paycheck Protection Program loan payable	1,279,500	-
Proceeds from Economic Injury Disaster loan payable	150,000	-
Net Cash from Financing Activities	1,004,552	(215,807)
 Net Change in Cash and Restricted Cash	1,208,474	(62,743)
CASH AND RESTRICTED CASH		
Beginning of year	206,088	268,831
End of year	\$ 1,414,562	\$ 206,088
The following table provides a reconciliation of cash and restricted cash within the statements of financial position:		
Cash	\$ 1,343,522	\$ 135,048
Restricted cash	71,040	71,040
	\$ 1,414,562	\$ 206,088
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 340,952	\$ 355,901

See notes to financial statements

Hellenic Classical Charter School

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Tax Status

Hellenic Classical Charter School (the "School") is an education corporation that operates as a charter school in the borough of Brooklyn, New York City. On February 7, 2005, 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. The Board of Regents approved and issued several renewals to this Charter expiring 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 497 students in grades kindergarten through eighth during the 2019-2020 academic year.

The School was approved to enter into a three year contract with the New York City Department of Education commencing with the 2014-2015 school year to operate a pre-kindergarten program with an option to renew for two additional years which expired June 30, 2020. The contract was renewed for an additional year expiring June 30, 2021. This contract is separate from the School's charter and is administered from the Department of Education's Division of Early Childhood. The pre-kindergarten program provided education to 18 students during the 2019-2020 academic year.

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 second charter, Hellenic Classical Charter School – Staten Island ("HCCS - SI"), valid for a term of five years and renewable upon expiration. Classes commenced in September 2019 for the 2019-2020 school year.

Effective July 1, 2020, the School merged into HCCS - SI. The School 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.

Hellenic Classical Charter School

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 Standard 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 statements of cash flows.

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 reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Hellenic Classical Charter School

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Cash - Sinking Fund

The sinking fund was established as a requirement of the mortgage to pay construction related costs. The fund was scheduled to be closed out upon the School receiving a certificate of occupancy. The School received the certificate of occupancy during December 2018. The account was depleted by August 2019 to pay for the remaining construction costs.

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 ranging from five to thirty 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:

Computers and other equipment	3 - 5 years
Furniture and fixtures	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 its fair value. There were no asset impairments for the years ended June 30, 2020 and 2019.

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.

Hellenic Classical Charter School

Notes to Financial Statements
June 30, 2020 and 2019

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

Debt Issuance Costs

Debt issuance costs are reported on the statements of financial position as a reduction of the carrying amount of the related debt, and amortized on a method that approximates the interest method over the life of the associated debt. Amortization of debt issuance costs is included in interest expense.

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, 2017.

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 statements of financial position.

3. Management's Plan for Liquidity

As reported on the balance sheet, the School's current liabilities exceed current assets as of June 30, 2020 and 2019. Management acknowledges that the cumulative effect of its construction expenditures and leasehold improvements in prior reporting periods has impacted the School's liquidity. However, the construction expenditures have ended, and management has continued to improve its liquidity through fundraising, increase in enrollment, reduction of expenditures and use of a credit line. In addition, as described in Note 8, the School's loan payable matures on January 5, 2021. Management is currently in the process of refinancing the loan using tax exempt bond financing and anticipates they will close on the bond transaction in December 2020. There can be no assurance as to the availability or terms upon which such extension or financing might be available. Management believes that these measures will enable the School to satisfy its financial obligations going forward and allay any concerns over liquidity, (see note 19).

Hellenic Classical Charter School

Notes to Financial Statements
June 30, 2020 and 2019

4. 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.

5. Related Party Transactions (not disclosed elsewhere)

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

6. Property and Equipment

Property and equipment consists of the following at June 30:

	2020	2019
Furniture and fixtures	\$ 733,720	\$ 714,831
Computers and other equipment	85,506	85,506
Leasehold improvements	15,467,763	15,467,763
	<u>16,286,989</u>	<u>16,268,100</u>
Accumulated depreciation and amortization	<u>(5,793,334)</u>	<u>(5,258,354)</u>
	<u>\$ 10,493,655</u>	<u>\$ 11,009,746</u>

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	2019
Cash	\$ 1,343,522	\$ 135,048
Grants and contracts receivable	172,582	85,079
Due from related party	184,766	-
Other current assets	21,214	37,394
	<u>1,722,084</u>	<u>257,521</u>
Net assets with donor restrictions	<u>(164,309)</u>	<u>(93,714)</u>
	<u>\$ 1,557,775</u>	<u>\$ 163,807</u>

Hellenic Classical Charter School

Notes to Financial Statements
June 30, 2020 and 2019

7. Liquidity and Availability of Financial Assets *(continued)*

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 money market accounts and other 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 \$200,000 which could be drawn upon as further disclosed in Note 9.

8. Loan Payable

On April 5, 2012, the School entered into a leasehold mortgage agreement with Hudson Valley National Bank in the amount of up to \$8,000,000 in order to finance leasehold improvements to the school and refinance all or a portion of a construction loan previously obtained. The loan is secured by the building and its contents. The interest rate on the loan is The Wall Street Journal's prime rate plus 1.5%, but in no event less than 6.0%.

On September 8, 2014, the School converted the construction loan into a mortgage and increased the balance to \$8,280,000. The loan is secured by the building and its contents. Monthly payments of principal and interest commenced in October 2014 based on an amortization period of 25 years. Interest on the loan is at 4.5% per annum. The loan matures on January 5, 2021. Management is currently in the process of refinancing the loan and anticipates they will close on the loan in December 2020 with their existing lender. A balloon payment of \$6,993,205 is due at maturity. Interest expense on the loan was \$331,012 and \$340,151 for the years ended June 30, 2020 and 2019, (see note 19).

The School's loan has a debt covenant requirement to maintain a minimum of two million dollars of net assets without donor restrictions. As of June 30, 2020 and 2019, net assets without donor restrictions was \$1,439,031 and \$1,362,385. The School has obtained a waiver from the bank for this requirement.

As of June 30, 2020 and 2019 the balance of the loan, net of unamortized debt issuance costs was \$7,112,270, and \$7,326,807.

9. Line of Credit

The School has a line of credit of \$200,000. Interest is payable monthly at an interest rate of prime plus .75%. The interest rate as of June 30, 2019 was 6.25%. The line of credit is collateralized with the School's corporate assets. The line of credit matures on January 5, 2021 and renews automatically. The balance outstanding at June 30, 2020 and 2019, is \$0, and \$200,000. Interest expense on the line of credit for 2020 and 2019 was \$4,374 and \$9,742. The line of credit is cross-collateralized and cross-default with the loan payable (Note 8). In addition, a material adverse change in the School's financial condition could result in a default on the loan.

Hellenic Classical Charter School

Notes to Financial Statements
June 30, 2020 and 2019

10. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2020	2019
Classroom Libraries/STEAM	\$ 13,884	\$ 35,275
Air conditioning system	150,425	58,439
	<u>\$ 164,309</u>	<u>\$ 93,714</u>

During the years ended June 30, 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specifies by donors as follows:

	2020	2019
Classroom Libraries/STEAM	\$ 21,391	\$ 14,696
Technology	-	21,201
History Day Fair/Ancient Greek Theatre	-	13,827
Air conditioning system	-	50,000
	<u>\$ 21,391</u>	<u>\$ 99,724</u>

11. Employee Benefit Plan

The School maintains a defined contribution retirement plan qualified under Internal Revenue Code 401(k) for the benefit of its eligible employees. Under the Plan the School provides matching contributions up to 3% of annual compensation on a discretionary basis. The School did not contribute to the Plan for the years ended June 30, 2020 and 2019.

12. Lease Commitment

Facility lease

On March 14, 2012, the School entered into a thirty-year non-cancelable operating lease for the facility space expiring on June 30, 2042. The School has the option to extend the lease for ten years and another nine years. Annual lease payments commence at \$500,000 per annum for the first two years and increase incrementally through the life of the lease. The School obtained a credit of \$3,900,060 as a result of improvements to the building completed in September 2014. The credit will be applied against rent payments due over the first 15 years of the lease commencing after construction is completed and amortized over 30 years. During the years ended June 30, 2020 and 2019, the School received \$260,000 of the credit each year. The School has credits due of \$2,648,385 and \$2,908,389 as of June 30, 2020 and 2019. In addition, in 2017 the School was obligated to pay the landlord \$600,000 plus interest at 1.75% per annum, to compensate for the inconvenience resulting during construction. The balance due as of June 30, 2020 and 2019, was \$50,984 and \$135,957. Interest expense was \$3,477 and \$6,008 for the years ended June 30, 2020 and 2019.

Hellenic Classical Charter School

Notes to Financial Statements June 30, 2020 and 2019

12. Lease Commitment (*continued*)

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

2021	\$ 578,813
2022	578,813
2023	578,813
2024	607,753
2025	607,753
Thereafter	<u>11,961,810</u>
	<u>\$ 14,913,755</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 and 2019, was \$1,087,577 and \$870,742. Rent expense under the operating lease for the years ended June 30, 2020 and 2019, was \$508,081.

Equipment Lease

In addition, the School entered into two leases for copier machines. The leases started in November 2015 for a term of 60 months. On September 27, 2019, a copier machine was returned and new copier machine were leased for the term of 60 months expiring September 27, 2024.

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

2021	\$ 17,028
2022	17,028
2023	17,028
2024	17,028
2025	<u>4,257</u>
	<u>\$ 72,369</u>

The copier lease expense for the years ended June 30, 2020 and 2019 was \$23,685 and \$22,860.

13. 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 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 \$1,005,000 and \$0 cash was maintained with Institutions in excess of FDIC limits.

Hellenic Classical Charter School

Notes to Financial Statements
June 30, 2020 and 2019

14. 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 years ended June 30, 2020 and 2019, the School received approximately 96% and 95% 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.

15. Paycheck Protection Program Loan Payable

On May 3, 2020, the School qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified PPP lender, for an aggregate principal amount of \$1,279,500 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the PPP upon the School's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the School. The School intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. The School believes that most, if not all, of the PPP Loan will meet the requirements for debt forgiveness. To the extent that all or part of the PPP Loan is not forgiven, the School will be required to pay interest on the PPP Loan through the date principal is repaid in full or maturity date.

16. Economic Injury Disaster Loan Payable

On June 2, 2020, the School qualified for and received a loan pursuant to the Economic Injury Disaster Loan Program (the "EIDL Program"), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified EIDL Program lender, for an aggregate principal amount of \$150,000 (the "EIDL loan"). The EIDL loan bears interest at a fixed rate of 2.75% per annum. Monthly installment payments including principal and interest of \$641 will begin 12 months from day of loan and matures June 2, 2050. The EIDL loan is secured with a security interest in the School's tangible and intangible personal property, and is guaranteed by the U.S. Small Business Administration. EIDL loan proceeds are to be used solely as working capital to alleviate economic injury caused by disaster occurring in the month of January 31, 2020 and continuing thereafter.

17. 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.

Hellenic Classical Charter School

Notes to Financial Statements
June 30, 2020 and 2019

18. 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.

19. 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 5, 2020.

Effective July 1, 2020, the School merged into HCCS - SI. The School 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**

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 (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 October 5, 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
October 5, 2020