

HELLENIC CLASSICAL CHARTER SCHOOL

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORTS**

JUNE 30, 2015 AND 2014

DRAFT

HELLENIC CLASSICAL CHARTER SCHOOL

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Independent Auditor's Report on Financial Statements and Supplementary Information

**Board of Trustees
Hellenic Classical Charter School**

Report on the Financial Statements

We have audited the accompanying financial statements of Hellenic Classical Charter School, which comprise the balance sheet as of as of June 30, 2015 and 2014, and the related statements of activities 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Hellenic Classical Charter School as of June 30, 2015 and 2014, 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 Matter

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2015 on our consideration of Hellenic Classical Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Hellenic Classical Charter School's internal control over financial reporting and compliance.

October 8, 2015

HELLENIC CLASSICAL CHARTER SCHOOL

BALANCE SHEET

JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 106,127	\$ 21,521
Cash - construction	6	200,006
Accounts receivable (net of allowance for doubtful accounts of \$5,000 for 2015)	20,561	28,995
Contributions receivable (Note 3)	30,000	
Government grants and contracts receivable	458,647	86,492
Prepaid expenses and other assets	<u>23,350</u>	<u>42,095</u>
Total current assets	638,691	379,109
Cash - reserve for dissolution	101,445	16,584
Cash - escrow	355,838	
Cash - sinking fund	320,306	
Contributions receivable (Note 3)	86,450	
Deferred financing cost - net	303,661	
Fixed assets - net (Note 4)	<u>12,571,906</u>	<u>11,188,691</u>
Total assets	<u>\$ 14,378,297</u>	<u>\$ 11,584,384</u>

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HELLENIC CLASSICAL CHARTER SCHOOL

BALANCE SHEET

JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 482,984	\$ 242,665
Accounts payable - construction	721,852	1,519,345
Accrued salaries and related liabilities	972,110	546,256
Accrued interest payable	30,538	
Loan payable (Note 9)	193,602	139,600
Line of Credit (Note 10)	190,000	
Total current liabilities	<u>2,591,086</u>	<u>2,447,866</u>
Deferred rent (Note 5)	279,174	166,091
Loan payable (Note 9)	<u>7,949,930</u>	<u>5,434,816</u>
Total liabilities	<u>10,820,190</u>	<u>8,048,773</u>
Net assets (Exhibit B)		
Unrestricted	3,421,657	3,335,611
Temporarily restricted (Note 12)	<u>136,450</u>	<u>200,000</u>
Total net assets	<u>3,558,107</u>	<u>3,535,611</u>
Total liabilities and net assets	<u>\$ 14,378,297</u>	<u>\$ 11,584,384</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

HELLENIC CLASSICAL CHARTER SCHOOL

EXHIBIT B

STATEMENT OF ACTIVITIES

YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating revenues						
State and local per pupil operating revenues	\$ 6,665,951		\$ 6,665,951	\$ 6,407,079		\$ 6,407,079
Government grants and contracts	730,070		730,070	294,462		294,462
Foundations and corporate contributions	71,018	\$ 136,450	207,468	965	\$ 200,000	200,965
In-kind contributions (Note 7)	70,261		70,261	90,718		90,718
Other revenues	7,515		7,515	41,308		41,308
Net assets released from restrictions (Note 12)	200,000	(200,000)				
Total operating revenues	7,744,815	(63,550)	7,681,265	6,834,532	200,000	7,034,532
Operating expenses						
Program services						
Education	5,938,925		5,938,925	4,716,474		4,716,474
Special education	478,599		478,599	795,817		795,817
Total program services	6,417,524		6,417,524	5,512,291		5,512,291
Supporting services						
Management and general	1,220,765		1,220,765	871,698		871,698
Fund raising	20,480		20,480	29,914		29,914
Total supporting services	1,241,245		1,241,245	901,612		901,612
Total operating expenses (Schedule 1)	7,658,769		7,658,769	6,413,903		6,413,903
Change in net assets (Exhibit C)	86,046	(63,550)	22,496	420,629	200,000	620,629
Net assets - beginning of year	3,335,611	200,000	3,535,611	2,914,982		2,914,982
Net assets - end of year (Exhibit A)	\$ 3,421,657	\$ 136,450	\$ 3,558,107	\$ 3,335,611	\$ 200,000	\$ 3,535,611

See independent auditor's report.

The accompanying notes are an integral part of these statements.

HELLENIC CLASSICAL CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 22,496	\$ 620,629
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	628,760	314,255
Amortization of financing costs	8,676	
Decrease (increase) in assets		
Accounts receivable	8,434	(8,405)
Grants and contracts receivable	(372,155)	83,019
Contribution receivable	(116,450)	
Prepaid expenses and other assets	18,745	(35,591)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	240,319	74,241
Accrued salaries and related liabilities	425,854	(39,273)
Accrued interest payable	30,538	
Deferred rent	113,083	138,091
Net cash provided by operating activities	<u>1,008,300</u>	<u>1,146,966</u>
Cash flows from investing activities		
Decrease (increase) in reserve for dissolution	(84,861)	30,315
Fixed asset acquisitions	(2,809,468)	(3,913,485)
Decrease (increase) in construction cash	200,000	(200,006)
Decrease (increase) in mortgage escrow	(355,838)	
Decrease (increase) in sinking fund	(320,306)	
Net cash used by investing activities	<u>(3,370,473)</u>	<u>(4,083,176)</u>
Cash flows from financing activities		
Draw down on loans	2,705,584	2,953,549
Principal payments on loan	(136,468)	
Proceeds from line of credit	190,000	
Financing costs	(312,337)	
Net cash provided by financing activities	<u>2,446,779</u>	<u>2,953,549</u>
Net change in cash and cash equivalents	84,606	17,339
Cash and cash equivalents - beginning of year	<u>21,521</u>	<u>4,182</u>
Cash and cash equivalents - end of year	<u>\$ 106,127</u>	<u>\$ 21,521</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 280,498</u>	<u>\$ -</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

HELLENIC CLASSICAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE 1 - NATURE OF ORGANIZATION

Hellenic Classical Charter School (“HCCS”) 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 HCCS a charter valid for a term of five years and renewable upon expiration. On May 30, 2014, HCCS was given an extension to its provisional charter that is valid for an additional five years. HCCS was organized to prepare all students intellectually, socially and emotionally, so they may gain entry to and succeed to the best high schools in New York City. In fiscal years 2015 and 2014, HCCS operated classes for approximately 475 and 470 students in Kindergarten through 8th grade, respectively.

HCCS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

HCCS is funded primarily by state and local per-pupil operating revenues paid through the New York State Department of Education.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents - Cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

Accounts receivable and allowance for doubtful accounts - HCCS records receivables based on established rates or contracts for services provided. Bad debt expense is charged if the receivable is determined to be uncollectible based on periodic review by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year-end. HCCS does not charge interest on outstanding receivables.

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Interest is not charged on outstanding receivables.

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HELLENIC CLASSICAL CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015 AND 2014****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash - reserve or dissolution - The cash reserve for dissolution represents funds held aside for contingency purposes as requested by the School's Charter.

Cash - escrow - The escrow funds were established with unexpended mortgage proceeds and can be used to pay construction related expenditures.

Cash - sinking fund - The sinking fund was established as a requirement of the mortgage to pay principal and interest on the mortgage liability.

Government grants and contracts receivable - Government grants and contracts receivable are recorded for expense-based grants when allowable expenses are incurred and for performance-based grants when milestones are achieved.

Deferred financing costs - Financing costs are amortized over the term of the related debt.

Fixed assets - Fixed assets are stated at cost. Items with a cost of \$1,000 or greater and a useful life in excess of one year are capitalized. Fixed assets are depreciated on the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the term of the lease or the life of the asset, whichever is shorter.

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

State and local per pupil operating revenues - Revenues from the state and local governments resulting from HCCS' charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. These funds are recorded by HCCS when services are rendered.

Government grants and contracts - Revenues from government grants and contracts to which HCCS is entitled are recognized mostly on student enrollment. Some grants are provided for specific educational endeavors, which are not based on student enrollment, and are recorded when related expenditures are incurred by HCCS.

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HELLENIC CLASSICAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rent expense - Rent is recorded on the straight-line basis over the term of the lease.

Functional allocation of expenses - The costs of providing services have been summarized on a functional basis. Expenses are allocated among the program and supporting services based on the nature of the expense.

Unrestricted net assets - Unrestricted net assets include funds having no restrictions as to use or purpose imposed by the donors.

Temporarily restricted net assets - Temporarily restricted net assets are those whose use by HCCS has been limited by donors to a specific time period or purpose.

Uncertainty in income taxes - HCCS has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2012 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through October 8, 2015, which is the date the financial statements were available to be issued.

NOTE 3 - CONTRIBUTION RECEIVABLE

In 2015, HCCS received a 5 year contribution for \$150,000. As of June 30, 2015 the balance due was \$120,000. The long term portion of the receivable is discounted to present value at a rate of 2%.

2016	\$ 30,000
2017	30,000
2018	30,000
2019	<u>30,000</u>
	120,000
Discount	<u>(3,550)</u>
Total	<u>\$ 116,450</u>

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HELLENIC CLASSICAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE 4 - FIXED ASSETS

	<u>2015</u>	<u>2014</u>	<u>Estimated Useful Lives</u>
Furniture and fixtures	\$ 534,190	\$ 495,889	3-5 years
Computer hardware and other equipment	85,506	84,114	3-5 years
Leasehold improvements	<u>14,471,982</u>	<u>12,499,700</u>	4-27 years
	15,091,678	13,079,703	
Accumulated depreciation and amortization	<u>(2,519,772)</u>	<u>(1,891,012)</u>	
Net fixed assets	<u>\$ 12,571,906</u>	<u>\$ 11,188,691</u>	

NOTE 5 - LEASE COMMITMENT

In 2013, HCCS entered into a thirty-year noncancelable operating lease for the facility space expiring on June 30, 2042. Annual lease payments commence \$500,000 per annum for the first two years and increase incrementally through the life of the lease. HCCS obtained a credit of \$3,900,060 as a result of improvements to the building projected to be completed in 2014. The credit will be applied against rent payment over the first 15 years of the lease commencing after construction is completed. In addition HCCS is obligated to pay the landlord an additional \$600,000 to compensate them for the inconvenience resulting during construction.

Future minimum payments are as follows:

2016	\$ 525,000
2017	525,000
2018	551,250
2019	551,250
2020	551,250
Thereafter	<u>14,913,753</u>
Total	<u>\$ 17,617,503</u>

The rent expense for the years ended June 30, 2015 and 2014 was \$518,083 and \$510,039, respectively. Deferred rent was \$279,174 as of June 30, 2015 and \$166,091 as of June 30, 2014.

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HELLENIC CLASSICAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE 6 - PENSIONS

HCCS has a defined contribution retirement plan with Teachers Insurance and Annuity Association and College Retirement Equities Fund which covers substantially all full-time employees. HCCS contributes an amount equal to 3% in 2015 and 2014 of the employee's contribution to the Plan up to the legal maximum amount allowed. Pension expense under this plan for the years ended June 30, 2015 and 2014 was \$45,000 and \$47,582, respectively.

NOTE 7 - IN-KIND CONTRIBUTION

HCCS records an in-kind contribution from the Greek Consulate as follows:

	2015	2014
Greek teacher's salary	\$ 69,062	\$ 89,056
Greek textbooks	1,199	1,662
	\$ 70,261	\$ 90,718

The amounts are shown as revenue and expense on the statement of activities each year.

NOTE 8 - CONTINGENCIES

Certain grants and contracts may be subject to audit by the funding source. 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.

NOTE 9 - LOAN PAYABLE

In 2012, HCCS entered into a leasehold mortgage agreement with Hudson Valley National Bank in the amount of up to eight million dollars (\$8,000,000) in order to finance leasehold improvements to the school and finance all or a portion of a construction loan previously obtained. The loan is secured by the building and its contents. Interest charges of \$32,500 in 2015 and \$301,647 in 2014 are included in the drawdown balances and have been capitalized in construction in progress. Interest expense in 2015 was \$311,036.

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HELLENIC CLASSICAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE 9 - LOAN PAYABLE (continued)

In September 2014, HCCS converted the construction loan into a mortgage and increased the balance to \$8,280,000. 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 September 5, 2019. A balloon payment of \$7,314,106 is due at maturity. The balance due on the loan as of June 30, 2015 and 2014 was \$8,143,532 and 5,574,416, respectively.

Principal payments are due as follows:

2016	\$ 193,602
2017	202,496
2018	211,799
2019	221,529
2020	<u>7,314,106</u>
	<u>\$ 8,143,532</u>

NOTE 10 - 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 line is renewable on January 5, 2016. The interest rate as of June 30, 2015 was 4%. The line of credit is collateralized with the School's corporate assets. The balance outstanding at June 30, 2015 is \$190,000.

The School entered into a revolving line of credit with the construction company on July 25, 2015 in the amount of \$500,000 with an interest rate of 5%. As of June 30, 2015 there were no draw downs on this loan.

NOTE 11 - CONCENTRATIONS

Financial instruments which potentially subject HCCS to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits.

HCCS obtained approximately 87% and 91% of its operating revenues in 2015 and 2014, respectively, through its charter from New York State.

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HELLENIC CLASSICAL CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015 AND 2014****NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purpose:

Renovation of Dance Space	\$ 20,000
Technology	<u>116,450</u>
	<u>\$ 136,450</u>

Temporarily restricted net assets were released in 2015 for the following purpose:

Gymnasium Stage	<u>\$ 200,000</u>
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STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2015 AND 2014

	No. of Positions	2015							2014						
		Program Services			Supporting Services				Program Services			Supporting Services			
		Education	Special Education	Total	Management and General	Fundraising	Total	Total	Education	Special Education	Total	Management and General	Fundraising	Total	Total
Personnel service costs															
Instructional	48	\$ 2,721,051	\$ 243,800	\$ 2,964,851	\$ 26,534	\$ 5,432	\$ 31,966	\$ 2,996,817	\$ 2,038,821	\$ 328,322	\$ 2,367,143				\$ 2,367,143
Non-instructional	9	335,935		335,935				335,935	198,347		198,347	\$ 348,795	\$ 6,201	\$ 354,996	553,343
Administrative	11	85,238	14,963	100,201	461,052	5,688	466,740	566,941	366,764	120,516	487,280	128,397	10,705	139,102	626,382
In-kind salaries (Note 6)	3	69,062		69,062				69,062	89,056		89,056				89,056
Total personnel service costs		3,211,286	258,763	3,470,049	487,586	11,120	498,706	3,968,755	2,692,988	448,838	3,141,826	477,192	16,906	494,098	3,635,924
Payroll taxes and related expenses		858,546	69,181	927,727	130,357	2,973	133,330	1,061,057	668,594	115,245	783,839	122,525	4,341	126,866	910,705
Occupancy (Note 4)		571,161	46,024	617,185	86,722	1,978	88,700	705,885	422,201	72,774	494,975	104,737	2,741	107,478	602,453
Contracted services		362,290	29,193	391,483	55,008	1,255	56,263	447,746	245,148	42,256	287,404	44,925	1,592	46,517	333,921
Supplies and equipment (Note 6)		166,387	13,407	179,794	25,263	576	25,839	205,633	214,806	37,026	251,832	39,365	1,395	40,760	292,592
Repairs and maintenance		38,847	3,130	41,977	5,898	135	6,033	48,010	26,044	4,489	30,533	4,773	169	4,942	35,475
Printing and postage		4,002	322	4,324	608	14	622	4,946	5,840	1,007	6,847	1,070	38	1,108	7,955
Professional fees		86,679	6,985	93,664	13,161	300	13,461	107,125	95,717	16,499	112,216	17,541	621	18,162	130,378
Dues and subscription		3,220	259	3,479	489	11	500	3,979	1,394	240	1,634	256	9	265	1,899
Insurance		53,036	4,274	57,310	8,053	184	8,237	65,547	44,660	7,698	52,358	8,184	290	8,474	60,832
Telephone		3,794	306	4,100	576	13	589	4,689	7,192	1,240	8,432	1,318	47	1,365	9,797
Travel		10,610	855	11,465	1,611	37	1,648	13,113	12,584	2,169	14,753	2,306	82	2,388	17,141
Food services		24,998	2,059	27,057			27,057	27,057	20,080	1,654	21,734				21,734
Depreciation and amortization		515,775	41,561	557,336	78,313	1,787	80,100	637,436	230,710	39,767	270,477	42,280	1,498	43,778	314,255
Interest Expense					312,709		312,709	312,709							
Bad debt					10,115		10,115	10,115							
Miscellaneous expenses		28,294	2,280	30,574	4,296	97	4,393	34,967	28,516	4,915	33,431	5,226	185	5,411	38,842
Total expenses (Exhibit B)		\$ 5,938,925	\$ 478,599	\$ 6,417,524	\$ 1,220,765	\$ 20,480	\$ 1,241,245	\$ 7,658,769	\$ 4,716,474	\$ 795,817	\$ 5,512,291	\$ 871,698	\$ 29,914	\$ 901,612	\$ 6,413,903

See independent auditor's report.

**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 Auditor's 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, which comprise the balance sheet as of June 30, 2015, 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 8, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hellenic Classical Charter 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 Hellenic Classical Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Hellenic Classical Charter 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 were not identified. 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 Hellenic Classical Charter 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.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 8, 2015

HELLENIC CLASSICAL CHARTER SCHOOL
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Financial Statement Findings

2014-001 Cash - Escrow

Criteria

HCCS is required to maintain a separate escrow account of no less than \$70,000 to pay for expenses if dissolution occurs.

Condition/Context

HCCS did not maintain the minimum balance in its escrow account.

Effect

A failure to maintain a minimum of \$70,000 in the escrow account is deemed a violation of the charter.

Cause

Management borrowed money out of the escrow account.

Recommendation

We recommend that HCCS replenish the required minimum amount in the escrow account.

Follow-Up

HCCS deposited the required funds in 2015.