

HELLENIC CLASSICAL CHARTER SCHOOL

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORTS**

JUNE 30, 2017 AND 2016

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 June 30, 2017 and 2016, 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, 2017 and 2016, 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 Matters

Emphasis of Matter - Change in Accounting Principle

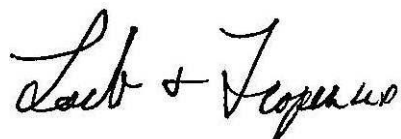
As described in Notes 2 and 9 to the financial statements, the School implemented Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The financial statements for 2016 have been reclassified for this change in accounting principle. Our opinion is not modified with regard to this 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 9, 2017 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 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 Hellenic Classical Charter 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 Hellenic Classical Charter School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Loeb & Troper". The signature is written in a cursive, flowing style.

October 9, 2017

HELLENIC CLASSICAL CHARTER SCHOOL

BALANCE SHEET

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 109,367	\$ 107,820
Accounts receivable (net of allowance for doubtful accounts of \$10,846 for 2017 and \$5,846 for 2016)	15,995	16,774
Contributions receivable (Note 3)	30,000	30,000
Government grants and contracts receivable	359,106	384,643
Prepaid expenses and other assets	14,135	9,166
Cash - sinking fund	<u>746,815</u>	
Total current assets	1,275,418	548,403
Cash - reserve for dissolution	71,040	71,134
Cash - sinking fund		666,267
Contributions receivable (Note 3)	29,126	57,404
Fixed assets - net (Note 4)	<u>11,819,699</u>	<u>12,328,519</u>
Total assets	<u>\$ 13,195,283</u>	<u>\$ 13,671,727</u>

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HELLENIC CLASSICAL CHARTER SCHOOL

BALANCE SHEET

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 477,300	\$ 400,929
Accounts payable - construction	600,000	600,000
Accrued salaries and related liabilities	860,311	1,018,397
Loan payable (Note 9)	206,202	197,022
Line of credit (Note 10)	200,000	150,000
	<u>2,343,813</u>	<u>2,366,348</u>
Total current liabilities	2,343,813	2,366,348
Deferred rent (Note 5)	505,340	392,257
Loan payable (Note 9)	7,417,680	7,561,414
	<u>10,266,833</u>	<u>10,320,019</u>
Total liabilities	10,266,833	10,320,019
Net assets (Exhibit B)		
Unrestricted	2,848,053	3,268,176
Temporarily restricted (Note 12)	80,397	83,532
	<u>2,928,450</u>	<u>3,351,708</u>
Total net assets	2,928,450	3,351,708
Total liabilities and net assets	<u>\$ 13,195,283</u>	<u>\$ 13,671,727</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, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating revenues						
State and local per pupil operating revenues - resident student enrollment	\$ 6,985,039		\$ 6,985,039	\$ 6,795,045		\$ 6,795,045
State and local per-pupil operating revenues - students with disabilities	208,860		208,860	225,203		225,203
Government grants and contracts	647,987		647,987	428,782		428,782
Contributions	74,691	\$ 53,854	128,545	114,393	\$ 45,000	159,393
In-kind contributions (Note 7)	66,550		66,550	71,360		71,360
Other revenues	8,821		8,821	40,033		40,033
Net assets released from restrictions (Note 12)	56,989	(56,989)		77,918	(77,918)	
Total operating revenues	8,048,937	(3,135)	8,045,802	7,752,734	(32,918)	7,719,816
Operating expenses						
Program services						
Education	6,268,855		6,268,855	5,851,475		5,851,475
Special education	539,147		539,147	544,862		544,862
Total program services	6,808,002		6,808,002	6,396,337		6,396,337
Supporting services						
Management and general	1,638,842		1,638,842	1,477,683		1,477,683
Fundraising	22,216		22,216	20,940		20,940
Total supporting services	1,661,058		1,661,058	1,498,623		1,498,623
Total operating expenses (Schedule 1)	8,469,060		8,469,060	7,894,960		7,894,960
Change in net assets (Exhibit C)	(420,123)	(3,135)	(423,258)	(142,226)	(32,918)	(175,144)
Net assets - beginning of year	3,268,176	83,532	3,351,708	3,410,402	116,450	3,526,852
Net assets - end of year (Exhibit A)	\$ 2,848,053	\$ 80,397	\$ 2,928,450	\$ 3,268,176	\$ 83,532	\$ 3,351,708

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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (423,258)	\$ (175,144)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	697,574	694,289
Amortization of debt issuance cost included in interest	62,468	62,468
Decrease (increase) in assets		
Accounts receivable	779	3,787
Government grants and contracts receivable	25,537	74,004
Contribution receivable	28,278	29,046
Prepaid expenses and other assets	(4,969)	14,184
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	76,371	(122,969)
Accrued salaries and related liabilities	(158,086)	46,287
Accrued interest payable		(30,538)
Deferred rent	113,083	113,083
Net cash provided by operating activities	<u>417,777</u>	<u>708,497</u>
Cash flows from investing activities		
Decrease (increase) in reserve for dissolution	94	30,311
Fixed asset acquisitions	(188,754)	(519,716)
Decrease (increase) in construction cash		6
Decrease (increase) in mortgage escrow		355,838
Decrease (increase) in sinking fund	(80,548)	(345,961)
Net cash used by investing activities	<u>(269,208)</u>	<u>(479,522)</u>
Cash flows from financing activities		
Draw down on loans	50,000	
Principal payments on loan	(197,022)	(187,282)
Principal payments on line of credit		(40,000)
Net cash used by financing activities	<u>(147,022)</u>	<u>(227,282)</u>
Net change in cash and cash equivalents	1,547	1,693
Cash and cash equivalents - beginning of year	<u>107,820</u>	<u>106,127</u>
Cash and cash equivalents - end of year	<u>\$ 109,367</u>	<u>\$ 107,820</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 377,686</u>	<u>\$ 385,217</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, 2017 AND 2016

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, to gain entry and succeed in the best high schools in New York City. In fiscal years 2017 and 2016, HCCS operated classes for approximately 500 students in Pre-K through 8th grade.

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, 2017 AND 2016****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Cash - sinking fund - The sinking fund was established as a requirement of the mortgage to pay construction-related cost. The fund will be closed out upon HCCS receiving a certificate of occupancy in 2018.

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.

Debt issuance costs - Debt issuance costs are reflected as a reduction of the carrying amount of the related debt, and are amortized on the straight-line basis over the life of the associated debt. Amortization of debt issuance costs is included in interest expense.

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's 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.

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HELLENIC CLASSICAL CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017 AND 2016****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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, 2014 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through October 9, 2017, which is the date the financial statements were available to be issued.

New accounting pronouncements - In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03 - *Simplifying the Presentation of Debt Issuance Costs*. This update was issued as part of an initiative to reduce complexity in accounting standards. This amendment updates Subtopic 835-30 - *Interest - Imputation of Interest* and requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amendments to this update are effective for financial statements issued for fiscal years beginning after December 15, 2015.

Reclassification - State and local per pupil operating revenues along with depreciation and amortization expense for 2016 have been reclassified to conform to current presentation.

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HELLENIC CLASSICAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 3 - CONTRIBUTION RECEIVABLE

In 2015, HCCS received a 5-year contribution for \$150,000. As of June 30, 2017 and 2016 the balance due was \$60,000 and \$90,000, respectively. The long-term portion of the receivable was discounted to present value at a rate of 3% in 2017 and 2016.

	<u>2017</u>	<u>2016</u>
2017		\$ 30,000
2018	\$ 30,000	30,000
2019	<u>30,000</u>	<u>30,000</u>
	60,000	90,000
Discount	<u>(874)</u>	<u>(2,596)</u>
Total	<u>\$ 59,126</u>	<u>\$ 87,404</u>

NOTE 4 - FIXED ASSETS

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives</u>
Furniture and fixtures	\$ 577,346	\$ 545,776	3-5 years
Computer hardware and other equipment	85,506	85,506	3-5 years
Leasehold improvements	<u>15,068,482</u>	<u>14,911,298</u>	4-27 years
	15,731,334	15,542,580	
Accumulated depreciation and amortization	<u>(3,911,635)</u>	<u>(3,214,061)</u>	
Net fixed assets	<u>\$ 11,819,699</u>	<u>\$ 12,328,519</u>	

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HELLENIC CLASSICAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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 completed in September 2014. The credit will be applied against rent payment over the first 15 years of the lease commencing after construction is completed. In 2017, HCCS received only \$120,000 of the credit toward their rent since certain parts of the construction project were still ongoing. In addition, HCCS is obligated to pay the landlord \$600,000 plus interest at 1.75% per annum, to compensate for the inconvenience resulting during construction. Interest expense was \$10,930 in 2017 and \$10,125 in 2016. In addition, HCCS entered into two new leases for copier machines, the leases started in November 2015 and with a term of 60 months will expire in October 2021.

Future minimum payments are as follows:

2018	\$ 574,110
2019	574,110
2020	574,110
2021	586,433
2022	578,813
Thereafter	<u>13,756,128</u>
Total	<u>\$ 16,643,704</u>

The rent expense for the years ended June 30, 2017 and 2016 was \$518,083. Deferred rent was \$505,340 as of June 30, 2017 and \$392,257 as of June 30, 2016. The copier lease expense for the years ended June 30, 2017 and 2016 was \$20,451 and \$16,376, respectively.

NOTE 6 - PENSIONS

HCCS has a defined contribution retirement plan which covers substantially all full-time employees. HCCS contributes an amount equal up to 3% in 2017 and 2016 of the employee's compensation up to the legal maximum amount allowed. Pension expense under this plan for the years ended June 30, 2017 and 2016 was \$97,285 and \$55,000, respectively.

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HELLENIC CLASSICAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 7 - IN-KIND CONTRIBUTION

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

	2017	2016
Greek teacher's salary	\$ 65,340	\$ 70,161
Greek textbooks	1,210	1,199
	\$ 66,550	\$ 71,360

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 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 one and a half percent (1.5%), but in no event less than six percent (6.0%). The interest rate as of the modification date (September 2014) was 6.0%. Interest charges of \$32,500 in 2015 are included in the drawdown balances and have been capitalized in construction in progress.

In September 2014, HCCS 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 September 5, 2019. A balloon payment of \$7,337,217 is due at maturity. The balance due on the loan as of June 30, 2017 and 2016 was \$7,759,228 and \$7,956,250, respectively. Interest expense on the loan was \$358,937 in 2017 and \$338,139 in 2016.

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HELLENIC CLASSICAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 9 - LOAN PAYABLE (continued)

Change in Accounting Principle - In 2017, the School adopted new requirements to present debt issuance costs as a reduction of the carrying amount of the related debt rather than as an asset. Under the new requirements, amortization of the debt issuance costs is reported as interest expense rather than as amortization expense. The effect of the change for 2017 and 2016 was to decrease deferred charges and net them against long-term debt for \$135,346 and \$197,814, respectively, and record interest expense of \$62,468 for the years ended June 30, 2017 and 2016 instead of amortization expense. The change does not impact the change in net assets.

As of June 30, 2017 and 2016, the balance of the loan, net of unamortized debt issuance costs, was \$7,417,680 and \$7,561,414, respectively.

Interest expense, including amortization of debt issuance costs of \$421,405, was \$400,607.

Principal payments are due as follows:

2018	\$	206,202
2019		215,809
2020		<u>7,337,217</u>
		7,759,228
Less: unamortized debt issuance cost		<u>(135,346)</u>
		<u>\$ 7,623,882</u>

NOTE 10 - LINE OF CREDIT

HCCS 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, 2017 and 2016 was 4.75% and 4%, respectively. The line of credit is collateralized with HCCS's corporate assets. The line of credit matures on January 5, 2018 and renews automatically. The balance outstanding at June 30, 2017 and 2016 is \$200,000 and \$150,000, respectively. Interest expense on the line of credit was \$7,819 in 2017 and \$6,415 in 2016.

On July 25, 2014 HCCS entered into a revolving line of credit with the construction company in the amount of \$500,000 with an interest rate of 5% per annum. As of June 30, 2017 and 2016 there were no balances outstanding.

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HELLENIC CLASSICAL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 11 - FINANCIAL CONDITION AND MANAGEMENT'S PLAN

As reported on the balance sheet, HCCS' current liabilities exceed current assets as of June 30, 2017. Management acknowledges that the cumulative effect of its construction expenditures and leasehold improvements in prior reporting periods has impacted HCCS' liquidity. However, the construction expenditures have ended, and beginning with this reporting period, management has implemented a plan to improve its liquidity through fundraising, reduction of expenditures and use of a credit line. HCCS will receive further savings once the premises receive a Certificate of Occupancy, which will result in a rental concession to HCCS. Management is confident that these measures will ensure that HCCS will be able to satisfy its financial obligations going forward, and maintains that HCCS will continue as a going concern.

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose:

	<u>2017</u>	<u>2016</u>
Technology	\$ 26,543	\$ 38,532
National History Day	53,854	
Music	<u> </u>	<u>45,000</u>
	<u>\$ 80,397</u>	<u>\$ 83,532</u>

Temporarily restricted net assets were released for the following purposes:

	<u>2017</u>	<u>2016</u>
Technology	\$ 11,989	\$ 77,918
Music	<u>45,000</u>	<u> </u>
	<u>\$ 56,989</u>	<u>\$ 77,918</u>

NOTE 13 - 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 89% and 91% of its operating revenues in 2017 and 2016, respectively, through its charter from New York State.

SCHEDULE OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2017 AND 2016

	No. of Positions	2017							2016						
		Program Services			Supporting Services				Program Services			Supporting Services			
		Education	Special Education	Total	Management and General	Fund Raising	Total	Total	Education	Special Education	Total	Management and General	Fund Raising	Total	Total
Personnel service costs															
Instructional	54	\$ 3,296,616	\$ 298,192	\$ 3,594,808	\$ 28,709	\$ 5,787	\$ 34,496	\$ 3,629,304	\$ 2,771,663	\$ 289,971	\$ 3,061,634	\$ 27,822	\$ 5,680	\$ 33,502	\$ 3,095,136
Non-instructional	7	112,608		112,608	104,175		104,175	216,783	357,908	15,809	373,717				373,717
Administrative	7				520,722	6,468	527,190	527,190	83,180		83,180	564,172	6,123	570,295	653,475
In-kind salaries - instructional	2	65,340		65,340			65,340	65,340	70,161		70,161				70,161
Total personnel service costs		3,474,564	298,192	3,772,756	653,606	12,255	665,861	4,438,617	3,282,912	305,780	3,588,692	591,994	11,803	603,797	4,192,489
Payroll taxes and related expenses		1,054,660	90,538	1,145,198	198,321	3,772	202,093	1,347,291	889,418	82,843	972,261	160,385	3,198	163,583	1,135,844
Occupancy		526,929	45,235	572,164	99,085	1,885	100,970	673,134	504,467	46,988	551,455	90,968	1,814	92,782	644,237
Contracted services		238,846	21,558	260,404	47,222	898	48,120	308,524	208,840	19,452	228,292	37,659	751	38,410	266,702
Supplies and equipment		155,272	13,329	168,601	29,198	555	29,753	198,354	183,615	17,102	200,717	33,111	660	33,771	234,488
Repairs and maintenance		57,018	4,895	61,913	10,722	204	10,926	72,839	36,432	3,393	39,825	6,570	131	6,701	46,526
Printing and postage		14,657	1,258	15,915	2,756	52	2,808	18,723	7,686	716	8,402	1,386	28	1,414	9,816
Professional fees		59,082	5,072	64,154	11,110	211	11,321	75,475	62,311	5,804	68,115	11,236	224	11,460	79,575
Dues and subscription		2,521	216	2,737	474	9	483	3,220	1,102	103	1,205	199	4	203	1,408
Insurance		47,203	4,052	51,255	8,876	169	9,045	60,300	48,299	4,499	52,798	8,710	174	8,884	61,682
Telephone		7,703	661	8,364	1,448	28	1,476	9,840	4,052	377	4,429	731	15	746	5,175
Travel		24,584	2,110	26,694	4,623	88	4,711	31,405	15,393	1,434	16,827	2,776	55	2,831	19,658
Food services		21,591	1,878	23,469			23,469	23,469	27,357	2,387	29,744				29,744
Depreciation		546,061	46,877	592,938	102,683	1,953	104,636	697,574	543,661	50,638	594,299	98,036	1,954	99,990	694,289
Interest and amortization expense					440,154		440,154	440,154				417,147		417,147	417,147
Bad debt					21,387		21,387	21,387				10,296		10,296	10,296
Miscellaneous expenses		38,164	3,276	41,440	7,177	137	7,314	48,754	35,930	3,346	39,276	6,479	129	6,608	45,884
Total expenses (Exhibit B)		\$ 6,268,855	\$ 539,147	\$ 6,808,002	\$ 1,638,842	\$ 22,216	\$ 1,661,058	\$ 8,469,060	\$ 5,851,475	\$ 544,862	\$ 6,396,337	\$ 1,477,683	\$ 20,940	\$ 1,498,623	\$ 7,894,960

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, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 9, 2017.

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.

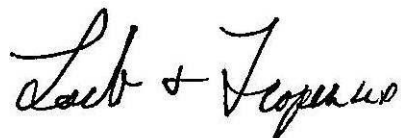
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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. 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 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 9, 2017