
**EMBER CHARTER SCHOOL FOR MINDFUL
EDUCATION, INNOVATION & TRANSFORMATION**

Financial Statements

For the years ended June 30, 2020 and 2019

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION
& TRANSFORMATION**

Financial Statements

June 30, 2020 and 2019

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Independent Auditors' Report

To the Board of Trustees of
Ember Charter School for Mindful Education, Innovation & Transformation

Report on the financial statements

We have audited the accompanying financial statements of Ember Charter School for Mindful Education, Innovation & Transformation, 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 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 Ember Charter School for Mindful Education, Innovation & Transformation 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 30, 2020, on our consideration of Ember Charter School for Mindful Education, Innovation & Transformation'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 the 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 Ember Charter School for Mindful Education, Innovation & Transformation's internal control over financial reporting and compliance.

NChang LLP

New York, New York
October 30, 2020

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION
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Statements of Financial Position

As of June 30,

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current assets		
Cash	\$ 2,891,859	\$ 623,318
Grants receivable	131,655	21,838
Prepaid expenses	71,711	20,095
Employee advances	15,844	22,745
Total current assets	<u>3,111,069</u>	<u>687,996</u>
Property and equipment, net - Note 4	395,375	345,292
Other assets		
Reserve contingency	75,199	75,168
Total assets	<u>\$ 3,581,643</u>	<u>\$ 1,108,456</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 93,135	\$ 117,860
Accrued salaries and other payroll related expenses	883,961	789,908
Refundable advances	77,165	44,312
Interest payable	1,453	-
Total current liabilities	<u>1,055,714</u>	<u>952,080</u>
Long-term liabilities		
SBA loans payable	1,893,477	-
Total liabilities	<u>2,949,191</u>	<u>952,080</u>
Net assets without donor restrictions		
Undesignated	557,253	81,208
Reserve - contingency	75,199	75,168
Total net assets without donor restrictions	<u>632,452</u>	<u>156,376</u>
Total liabilities and net assets without donor restrictions	<u>\$ 3,581,643</u>	<u>\$ 1,108,456</u>

The accompanying notes are an integral part of these financial statements.

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION
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Statements of Activities

For the years ended June 30,

	<u>2020</u>	<u>2019</u>
<u>Operating revenue and other support</u>		
State and local per pupil operating revenue		
General education	\$ 8,455,670	\$ 8,187,435
Special education	<u>1,183,263</u>	<u>1,007,288</u>
Total state and local per pupil operating revenue	<u>9,638,933</u>	<u>9,194,723</u>
Grants, contracts and other support		
Federal grants	735,891	748,373
State and local grants	89,343	78,090
Facilities lease assistance	-	70,029
Contributions	76,439	65,694
Interest and other income	<u>16,569</u>	<u>23,825</u>
Total grants, contracts and other support	<u>918,242</u>	<u>986,011</u>
Total operating revenue and other support	<u>10,557,175</u>	<u>10,180,734</u>
<u>Expenses</u>		
Program expenses		
Regular education	7,479,011	7,784,105
Special education	<u>1,719,189</u>	<u>1,640,250</u>
Total program expenses	<u>9,198,200</u>	<u>9,424,355</u>
Supporting services		
Management and general	794,250	663,977
Fundraising	<u>88,649</u>	<u>80,300</u>
Total supporting services	<u>882,899</u>	<u>744,277</u>
Total program and supporting services expenses	<u>10,081,099</u>	<u>10,168,632</u>
Change in net assets	476,076	12,102
Net assets without donor restrictions - beginning of year	<u>156,376</u>	<u>144,274</u>
Net assets without donor restrictions - end of year	<u><u>\$ 632,452</u></u>	<u><u>\$ 156,376</u></u>

The accompanying notes are an integral part of these financial statements.

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Statement of Functional Expenses

For the year ended June 30, 2020

	Program services			Supporting services		Total Program and Supporting services
	Regular education	Special education	Total programs	Management & general	Fund- raising	
Salaries						
Instructional	\$ 4,564,396	\$ 1,064,547	\$ 5,628,943	\$ 50,000	\$ 25,000	\$ 5,703,943
Administrative	231,238	78,579	309,817	444,667	39,710	794,194
Total salaries	<u>4,795,634</u>	<u>1,143,126</u>	<u>5,938,760</u>	<u>494,667</u>	<u>64,710</u>	<u>6,498,137</u>
Operating expenses						
Payroll taxes and fringe benefits	1,142,051	272,228	1,414,279	117,802	15,410	1,547,491
Professional fees	3,240	772	4,012	93,985	44	98,041
Outside services - consultants	217,774	41,004	258,778	27,816	833	287,427
Professional development	131,995	22,238	154,233	180	-	154,413
Student field trips	68,953	11,617	80,570	-	-	80,570
Office expenses and supplies	119,162	28,404	147,566	12,291	1,608	161,465
Food services	333,007	56,104	389,111	-	-	389,111
Information and technology	42,115	10,039	52,154	4,344	569	57,067
Telephone and internet	70,882	16,896	87,778	7,311	956	96,045
Insurance	56,282	13,416	69,698	5,805	759	76,262
Instructional material	144,119	24,281	168,400	-	-	168,400
Furniture and equipment	25,421	4,687	30,108	597	78	30,783
Classroom supplies	34,698	5,950	40,648	154	20	40,822
Conferences	22,555	3,800	26,355	-	-	26,355
Postage and shipping	1,464	349	1,813	151	20	1,984
Repairs and maintenance	73,206	17,450	90,656	7,551	991	99,198
Rent	-	-	-	-	-	-
Advertising and recruiting	60,849	14,504	75,353	6,277	821	82,451
Bad debt	-	-	-	1,332	-	1,332
Depreciation and amortization	135,604	32,324	167,928	13,987	1,830	183,745
Total operating expenses	<u>2,683,377</u>	<u>576,063</u>	<u>3,259,440</u>	<u>299,583</u>	<u>23,939</u>	<u>3,582,962</u>
Total expenses	<u>\$ 7,479,011</u>	<u>\$ 1,719,189</u>	<u>\$ 9,198,200</u>	<u>\$ 794,250</u>	<u>\$ 88,649</u>	<u>\$10,081,099</u>

The accompanying notes are an integral part of these financial statements.

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION
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Statement of Functional Expenses

For the year ended June 30, 2019

	Program services			Supporting services		Total Program and Supporting services
	Regular education	Special education	Total programs	Management & general	Fund- raising	
Salaries						
Instructional	\$ 4,521,886	\$ 966,770	\$ 5,488,656	\$ 49,324	\$ 24,661	\$ 5,562,641
Administrative	194,162	66,221	260,383	377,975	33,598	671,956
Total salaries	<u>4,716,048</u>	<u>1,032,991</u>	<u>5,749,039</u>	<u>427,299</u>	<u>58,259</u>	<u>6,234,597</u>
Operating expenses						
Payroll taxes and fringe benefits	1,117,769	244,833	1,362,602	101,275	13,809	1,477,686
Professional fees	-	-	-	48,307	-	48,307
Legal settlement net of insurance reimbursement	109,296	23,940	133,236	9,903	1,350	144,489
Outside services - consultants	227,305	41,535	268,840	26,517	764	296,121
Professional development	86,760	14,617	101,377	666	-	102,043
Student field trips	371,484	62,586	434,070	-	-	434,070
Office expenses and supplies	91,739	20,309	112,048	8,097	1,133	121,278
Food services	484,008	81,545	565,553	-	-	565,553
Information and technology	11,175	2,448	13,623	1,012	138	14,773
Telephone and internet	64,166	14,054	78,220	5,814	793	84,827
Insurance	43,470	9,518	52,988	3,939	537	57,464
Instructional material	96,180	16,204	112,384	-	-	112,384
Furniture and equipment	31,009	5,305	36,314	142	19	36,475
Classroom supplies	32,812	5,354	38,166	-	-	38,166
Conferences	17,686	2,980	20,666	-	-	20,666
Postage and shipping	2,080	456	2,536	188	26	2,750
Repairs and maintenance	78,397	17,171	95,568	7,107	968	103,643
Rent	25,214	5,523	30,737	2,285	311	33,333
Advertising and recruiting	44,326	9,709	54,035	4,016	548	58,599
Bad debt	-	-	-	5,343	-	5,343
Depreciation and amortization	133,181	29,172	162,353	12,067	1,645	176,065
Total operating expenses	<u>3,068,057</u>	<u>607,259</u>	<u>3,675,316</u>	<u>236,678</u>	<u>22,041</u>	<u>3,934,035</u>
Total expenses	<u>\$ 7,784,105</u>	<u>\$ 1,640,250</u>	<u>\$ 9,424,355</u>	<u>\$ 663,977</u>	<u>\$ 80,300</u>	<u>\$ 10,168,632</u>

The accompanying notes are an integral part of these financial statements.

**EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION
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Statements of Cash Flows

For the years ended June 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 476,076	\$ 12,102
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	183,745	176,065
Bad debt	1,332	5,343
Changes in operating assets and liabilities		
Grants receivable	(111,149)	254,615
Prepaid expenses	(51,616)	4,245
Employee advances	6,901	40,074
Security deposits	-	10,000
Accounts payable	(24,725)	(99,222)
Accrued salaries and other payroll-related benefits	94,053	244,483
Refundable advances	32,853	27,301
Interest payable	1,453	-
Net cash provided by operating activities	<u>608,923</u>	<u>675,006</u>
Cash flows from investing activities		
Reserve contingency	(31)	(37)
Acquisition of property and equipment	<u>(233,828)</u>	<u>(145,887)</u>
Net cash used in investing activities	<u>(233,859)</u>	<u>(145,924)</u>
Cash flows from financing activities		
Proceeds from SBA loans	<u>1,893,477</u>	<u>-</u>
Net cash provided by financing activities	<u>1,893,477</u>	<u>-</u>
Net increase in cash	2,268,541	529,082
Cash - beginning of year	<u>623,318</u>	<u>94,236</u>
Cash - end of year	<u><u>\$ 2,891,859</u></u>	<u><u>\$ 623,318</u></u>

The accompanying notes are an integral part of these financial statements.

EMBER CHARTER SCHOOL FOR MINDFUL EDUCATION, INNOVATION & TRANSFORMATION

Notes to the Financial Statements

June 30, 2020 and 2019

Note 1 Organization

Ember Charter School for Mindful Education, Innovation & Transformation (the “School”), formerly known as Teaching Firms of America Professional Preparatory Charter School, is a public charter school located in Brooklyn, New York. The School opened in 2010 and currently operates classes from kindergarten to eighth grade. On March 13, 2017, a charter renewal was granted for another 5 years through June 30, 2022. The School’s mission is to prepare students to become the future professionals (lawyers, doctors, scientists, entrepreneurs, etc.) who will lead our global society in the 21st century. The School’s vision is to provide a fun, “college-successful”, community-centered, culturally rich and relevant preparatory school experience to its students, where they will be nurtured, challenged and cultivated into highly intelligent, creative and critically thinking young leaders.

Note 2 Summary of significant accounting policies

Basis of presentation and use of estimates. The financial statements have been prepared in conformity 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. Actual results could differ from those estimates.

Financial statements presentation. The financial statements of the School have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the School to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School. These net assets may be used at the discretion of the School’s management and the board of directors.

Net assets with donor restrictions. Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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Notes to the Financial Statements

June 30, 2020 and 2019

Note 2 Summary of significant accounting policies - (continued)

Cash. The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Grants receivable. Grants receivable are recorded at net realizable value. The allowance for doubtful accounts is the School's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. Grants receivable amounted to \$131,655 and \$21,838 as of June 30, 2020 and 2019, respectively. There are no allowances recorded at June 30, 2020 and 2019, as management believes all amounts are collectability.

Donated goods and services. The School is located in a New York City Department of Education facility and utilizes approximately 116,000 square feet at no charge. In addition, the School received donated transportation and food service services from the local district. The School was unable to determine a value for these services.

Reserve contingency. Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with dissolution, should such event occur.

Revenue recognition. The School recognizes revenue from the state and local governments based on the School's charter status and the number of students enrolled. Such revenue is recorded when services are performed, in accordance with the charter agreement. The New York State Department of Education mandates the rate per pupil. Such revenue is recognized ratably over the related school year in which it is earned.

Grants and contracts revenue is recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance, or any unspent funds for which qualifying expenditures have not been incurred, are recorded as refundable advances. Any unspent amounts usually are returned to the granting agency. However, the granting agency can approve that those amounts be applied to a future grant period.

Refundable advances. Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying statement of financial position.

Reclassifications. Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financials. These reclassifications have no effect on the changes in net asset.

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Notes to the Financial Statements

June 30, 2020 and 2019

Note 2 Summary of significant accounting policies - (continued)

Property, plant and equipment. Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. The School capitalizes additions and significant improvements in excess of \$1,500. Items with an acquisition cost of less than \$1,500 or a useful life of less than one year are expensed in the year purchased. Depreciation is computed using the straight-line method over estimated useful lives of the respective assets. The estimated depreciable lives of the different classes of property are as follows:

<u>Asset</u>	<u>Useful life</u>
Furniture and fixtures	6 years
Leasehold improvements	6 years
Office equipment	6 years
Computer equipment	3 years

Income taxes. The School is tax-exempt under Section 501 (c)(3) of the Internal Revenue Code (IRC) and has been classified as a publicly supported organization as described in IRC sections 509(A)(1) and 170(B)(1)(A)(II).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the financial statement.

The School is no longer subject to income tax examination by federal, state, or local tax authorities for years before June 30, 2017.

Functional expenses. The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services, administrative and fund raising. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Salaries	Time and effort
Payroll taxes and fringe benefits	Time and effort
Insurance	Square footage
Repairs and maintenance	Time and effort
Rent	Square footage

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Notes to the Financial Statements

June 30, 2020 and 2019

Note 2 Summary of significant accounting policies - (continued)

Recently adopted accounting pronouncements. On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for Profit Entities*. The update addresses the complexity and understandability of net asset classification, efficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash*, which requires restricted cash to be included within cash and cash equivalents when explaining the total change in cash for the period within the statement of cash flows. The standard requires retrospective application and represents a change in accounting principal. The adoption of ASU 2016-18 did not have an impact on the School’s financial statements.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional or unconditional. The School implemented the provisions of ASU 2018-08 applicable to contributions received in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Note 3 Liquidity and availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of June 30, are:

Financial assets:	<u>2020</u>	<u>2019</u>
Cash	\$ 2,891,859	\$ 623,318
Grants and other receivables	131,655	21,838
Amount available for general expenditures within one year	<u>\$ 3,023,514</u>	<u>\$ 645,156</u>

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Notes to the Financial Statements

June 30, 2020 and 2019

Note 4 Property, plant and equipment

Property and equipment consist of the following at June 30,:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 530,085	\$ 521,685
Furniture and fixtures	135,262	124,457
Computer equipment	520,915	344,036
Office and telephone equipment	365,015	349,422
Software	<u>147,346</u>	<u>125,195</u>
Total property and equipment	1,698,623	1,464,795
Less: accumulated depreciation	<u>(1,303,248)</u>	<u>(1,119,503)</u>
Property and equipment, net	<u><u>\$ 395,375</u></u>	<u><u>\$ 345,292</u></u>

Note 5 Accrued salaries and other payroll-related expenses

Accrued payroll and benefits consist of amounts due to staff for payroll earned during the school year but paid over the summer months. As of June 30, 2020 and 2019, total accrued salaries and other payroll-related expenses amounted to \$883,961 and \$789,908, respectively.

Note 6 Retirement plan

The School offers a 401(k) plan for all qualifying employees who are age 21 or older. Employees are eligible for the plan immediately upon employment. Participation in the plan is voluntary. Employees can make pretax contributions up to a maximum of 95% of their annual compensation, up to IRS limits for each calendar year. For employees that have completed one year of eligibility service, the School matches 100% an employee's contribution up to 3% of the employee's annual compensation plus 50% of an employee's contribution that are between 3% and 5% of an employee's annual compensation. For the years ended June 30, 2020 and 2019, the School's matching contribution was \$140,788 and \$95,161, respectively. Such plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the plan's participants and beneficiaries.

Note 7 Concentrations of risk

The School maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The School believes it is not exposed to significant credit risk on cash and cash equivalents.

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Notes to the Financial Statements

June 30, 2020 and 2019

Note 7 Concentrations of risk - (continued)

The School received approximately 92% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York City Department of Education during the years ended June 30, 2020 and 2019. Additionally, the School's grants receivable consists of approximately 99% from the New York Department of Education.

Note 8 SBA loans payable

On May 1, 2020, the School obtained a loan of \$1,743,477 ("PPP loan") from Chase pursuant to the Paycheck Protection Program ("PPP") administered by the Small Business Administration (the "SBA") pursuant to the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The PPP Loan and accrued interest will be forgivable after twenty-four weeks as long as the School uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The PPP loan matures on May 1, 2022 and bears an interest rate of 1% per annum, with interest accruing on the unpaid principal balance. No payments of principal or interest are due during the six-month period beginning on the date of the PPP loan (the "Deferral Period"). The PPP loan balance as of June 30, 2020 was \$1,743,477.

On May 24, 2020, the School obtained a loan of \$150,000 from the SBA under its Economic Injury Disaster Loan ("EIDL") assistance program in light of the impact of the COVID-19 pandemic on the School. The proceeds to be used for working capital purposes and is collateralized by all the School's assets. Interest accrues at the rate of 2.75% per annum with interest accruing on the unpaid principal balance. Installment payments, including principal and interest, are due monthly beginning May 24, 2021 (twelve months from the date of the EIDL) in the amount of \$641. The balance of principal and interest is payable over the next thirty years from the date of the EIDL. There are no penalties for prepayment. The EIDL balance as of June 30, 2020 was \$150,000.

Note 9 Commitments and contingencies

The School participates in a number of federal and state programs. These programs require that the School comply with certain requirements of laws, regulations, contracts, and grant agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the School's financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

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Notes to the Financial Statements

June 30, 2020 and 2019

Note 9 Commitments and contingencies - (continued)

The School has employment agreements with four key members of management which generally provide for minimum annual base compensation, bonus of up to 150% of base compensation, and other benefits. The School will continue to maintain surplus working capital and positive cash flow even when awarding key employee bonuses as contemplated under these employment agreements.

Note 10 Support services

Subject to annual renewal, the School entered into an agreement (the “Agreement”) with third party to provide assistance with accounting and bookkeeping, financial reporting and budgeting, and grant financial management. As of June 30, 2020 and 2019, fees under the agreement amounted to \$40,451 and \$30,906, respectively.

Note 11 Potential impact of the pandemic

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. As a result of the pandemic, the School will begin the 2020-2021 school year with a completely remote learning. Parents are only offered to register their children for distance learning. The ultimate effect of COVID-19 on the School and its future operations cannot presently be determined.

Note 12 Subsequent events

Management has evaluated subsequent events through October 30, 2020, the date that the financial statements were available to be issued. Based on this evaluation, management has determined that no subsequent events have occurred which require disclosure in the financial statements.

Independent Auditors' 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

To the Board of Trustees of
Ember Charter School for Mindful Education, Innovation & Transformation

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 Ember Charter School for Mindful Education, Innovation & Transformation, 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 30, 2020.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered Ember Charter School for Mindful Education, Innovation & Transformation'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 Ember Charter School for Mindful Education, Innovation & Transformation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ember Charter School for Mindful Education, Innovation & Transformation'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 Ember Charter School for Mindful Education, Innovation & Transformation's financial statements are free of 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 audits, 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

NChing LLP

New York, New York
October 30, 2020