



**CENTRAL QUEENS ACADEMY  
CHARTER SCHOOL**

**Audited Financial Statements In Accordance  
With Government Auditing Standards**

**June 30, 2020**

# CENTRAL QUEENS ACADEMY CHARTER SCHOOL

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## **Independent Auditor's Report**

To the Board of Directors of  
Central Queens Academy Charter School

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Central Queens Academy Charter School (the "School"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 organization'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 organization'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

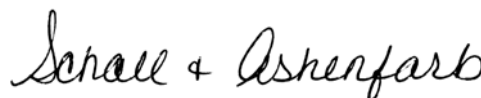
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Queens Academy Charter School as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the School's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



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Schall & Ashenfarb  
Certified Public Accountants, LLC

October 15, 2020

**CENTRAL QUEENS ACADEMY CHARTER SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2020**  
(With comparative totals at June 30, 2019)

	<u>6/30/20</u>	<u>6/30/19</u>
<b>Assets</b>		
Cash and cash equivalents	\$8,313,986	\$6,043,563
Government grants receivable - per pupil (Note 3)	32,643	0
Government grants receivable - other	363,054	304,534
Other receivables	3,041	0
Prepaid expenses	152,752	43,708
Pledges receivable, net (Note 4)	467,941	1,131,725
Restricted cash (Note 5)	79,151	78,118
Security deposit	1,121,060	1,121,060
Fixed assets, net (Note 6)	<u>397,275</u>	<u>280,804</u>
	<u><u>\$10,930,903</u></u>	<u><u>\$9,003,512</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$1,100,966	\$988,337
Government grant advances - per pupil	10,576	10,576
Deferred rent	37,573	0
Paycheck Protection Program loan (Note 7)	<u>1,024,182</u>	<u>0</u>
Total liabilities	<u><u>2,173,297</u></u>	<u><u>998,913</u></u>
<b>Net assets:</b>		
Without donor restrictions	8,451,864	7,598,233
With donor restrictions (Note 8)	<u>305,742</u>	<u>406,366</u>
Total net assets	<u><u>8,757,606</u></u>	<u><u>8,004,599</u></u>
Total liabilities and net assets	<u><u>\$10,930,903</u></u>	<u><u>\$9,003,512</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**CENTRAL QUEENS ACADEMY CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
(With comparative totals for the year ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 6/30/20	Total 6/30/19
Public support and revenue:				
Public school district: (Note 2c)				
Revenue - resident student enrollment	\$6,533,483		\$6,533,483	\$6,330,975
Revenue - students with disabilities	558,653		558,653	652,341
Subtotal public school district	<u>7,092,136</u>	<u>0</u>	<u>7,092,136</u>	<u>6,983,316</u>
Government grants:				
Federal	371,483		371,483	361,137
State	79,157		79,157	230,634
New York City rental assistance (Note 3)	672,662		672,662	548,317
Subtotal government grants	<u>1,123,302</u>	<u>0</u>	<u>1,123,302</u>	<u>1,140,088</u>
Contributions	113,823	52,000	165,823	1,381,316
Special event (net of expenses with a direct benefit to donors) (Note 9)			0	121,951
Donated services	205,249		205,249	217,480
Interest income	89,095		89,095	96,863
Other income	577		577	12,941
Released from restriction	<u>152,624</u>	<u>(152,624)</u>	<u>0</u>	<u>0</u>
Total public support and revenue	<u>8,776,806</u>	<u>(100,624)</u>	<u>8,676,182</u>	<u>9,953,955</u>
Expenses:				
Program services:				
Regular education	5,252,434		5,252,434	5,122,696
Special education	930,459		930,459	797,356
Total program services	<u>6,182,893</u>	<u>0</u>	<u>6,182,893</u>	<u>5,920,052</u>
Supporting services:				
Management and general	1,425,356		1,425,356	841,512
Fundraising	314,926		314,926	290,116
Total supporting services	<u>1,740,282</u>	<u>0</u>	<u>1,740,282</u>	<u>1,131,628</u>
Total expenses	<u>7,923,175</u>	<u>0</u>	<u>7,923,175</u>	<u>7,051,680</u>
Change in net assets	853,631	(100,624)	753,007	2,902,275
Net assets - beginning of year	<u>7,598,233</u>	<u>406,366</u>	<u>8,004,599</u>	<u>5,102,324</u>
Net assets - ending of year	<u><u>\$8,451,864</u></u>	<u><u>\$305,742</u></u>	<u><u>\$8,757,606</u></u>	<u><u>\$8,004,599</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**CENTRAL QUEENS ACADEMY CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
(With comparative totals for the year ended June 30, 2019)

	Program Services			Supporting Services			Total Expenses 6/30/20	Total Expenses 6/30/19
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries:								
Administrative staff personnel	\$722,344	\$151,423	\$873,767	\$364,611	\$108,985	\$473,596	\$1,347,363	\$1,399,983
Instructional personnel	2,223,058	397,350	2,620,408			0	2,620,408	2,487,849
Non-instructional personnel	186,932	49,764	236,696	51,272	122,100	173,372	410,068	264,560
Additional compensation	124,158	21,007	145,165	15,516	4,940	20,456	165,621	168,559
Total salaries	3,256,492	619,544	3,876,036	431,399	236,025	667,424	4,543,460	4,320,951
Employee benefits and payroll taxes	595,115	100,695	695,810	74,372	23,676	98,048	793,858	797,065
Total personnel costs	3,851,607	720,239	4,571,846	505,771	259,701	765,472	5,337,318	5,118,016
Professional fees	159,759	10,915	170,674	55,361	2,566	57,927	228,601	127,247
In-kind professional fees			0	205,249		205,249	205,249	217,480
Occupancy	924,762	156,472	1,081,234	115,568	36,791	152,359	1,233,593	1,082,929
Repairs and maintenance	16,608	2,810	19,418	2,076	661	2,737	22,155	21,238
Insurance	45,942	7,774	53,716	5,741	1,828	7,569	61,285	59,558
Utilities	20,088	3,399	23,487	2,510	800	3,310	26,797	27,354
Curriculum and classroom expenses	15,644		15,644			0	15,644	45,442
Classroom supplies and materials	35,304		35,304			0	35,304	51,570
Equipment	28,128	4,760	32,888	3,515	1,119	4,634	37,522	34,473
Professional development	15,605	574	16,179	915	135	1,050	17,229	19,378
Student and staff recruitment	23,331	3,947	27,278	2,916	6,724	9,640	36,918	22,818
Events and meetings			0			0	0	102,399
Information technology	39,859	6,744	46,603	4,981	1,586	6,567	53,170	42,009
Office expenses	18,922	3,201	22,123	2,365	753	3,118	25,241	28,760
Communications	17,220	2,914	20,134	2,152	685	2,837	22,971	24,217
Miscellaneous	4,450	753	5,203	1,836	177	2,013	7,216	14,410
Depreciation	35,205	5,957	41,162	4,400	1,400	5,800	46,962	85,125
Bad debt expense			0	510,000		510,000	510,000	0
Total expenses	5,252,434	930,459	6,182,893	1,425,356	314,926	1,740,282	7,923,175	7,124,423
Less: direct special event expenses netted with revenue			0			0	0	(72,743)
Total expenses for statement of activities	\$5,252,434	\$930,459	\$6,182,893	\$1,425,356	\$314,926	\$1,740,282	\$7,923,175	\$7,051,680

*The attached notes and auditor's report are an integral part of these financial statements.*

**CENTRAL QUEENS ACADEMY CHARTER SCHOOL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
(With comparative totals for the year ended June 30, 2019)

	<u>6/30/20</u>	<u>6/30/19 *</u>
Cash flows from operating activities:		
Change in net assets	\$753,007	\$2,902,275
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	46,962	85,125
Allowance for doubtful accounts	510,000	0
Changes in assets and liabilities:		
Government grants receivable - per pupil	(32,643)	11,429
Government grants receivable - other	(58,520)	(1,768)
Other receivables	(3,041)	0
Prepaid expenses	(109,044)	60,544
Pledges receivable	153,784	(836,984)
Security deposit	0	(1,008,880)
Accounts payable and accrued expenses	112,629	54,449
Government grant advances - per pupil	0	3,317
Conditional contribution	0	(280,000)
Deferred rent	37,573	(25,711)
Paycheck Protection Program loan (Note 7)	1,024,182	0
Total adjustments	<u>1,681,882</u>	<u>(1,938,479)</u>
Net cash flows provided by operating activities	<u>2,434,889</u>	<u>963,796</u>
Cash flows from investing activities:		
Purchases of fixed assets	<u>(163,433)</u>	<u>(189,928)</u>
Net cash flows used for investing activities	<u>(163,433)</u>	<u>(189,928)</u>
Net increase in cash and cash equivalents	2,271,456	773,868
Cash, cash equivalents and restricted cash - beginning of year	<u>6,121,681</u>	<u>5,347,813</u>
Cash, cash equivalents and restricted cash - ending of year	<u><u>\$8,393,137</u></u>	<u><u>\$6,121,681</u></u>
Supplemental disclosures:		
Reconciliation of cash and restricted cash to the statement of financial position:		
Cash and cash equivalents	\$8,313,986	\$6,043,563
Restricted cash	<u>79,151</u>	<u>78,118</u>
Total	<u><u>\$8,393,137</u></u>	<u><u>\$6,121,681</u></u>

\* Restated for comparative purposes

*The attached notes and auditor's report are an integral part of these financial statements.*



**CENTRAL QUEENS ACADEMY CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 1 - Organization and Nature of Activities**

Central Queens Academy Charter School (the "School"), located in Queens, New York, is a not-for-profit education corporation chartered by the Regents of the University of the State of New York. The charter was authorized by SUNY Charter Schools Institute. The School was founded by a team of educators, parents, and youth advocates in partnership with APEX, a youth development organization with almost 20 years of experience working with Asian immigrant youth in New York.

The School's academic program is designed to meet the needs of a highly diverse student body. The School has grounded this program in its core values and will implement its mission using research-based methods that have worked in other schools. Its curriculum is aligned with the Common Core State Standards and the New York State Standards and has been designed to make sure that students learn what they need to know in a rigorous and fun environment.

The School has been notified by the Internal Revenue Service that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. They have not been designated as a private foundation.

**Note 2 - Significant Accounting Policies**

a. Basis of Accounting

The financial statements of the School have been prepared using the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

Effective, July 1, 2019 the School adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606"). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price, and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective July 1, 2019, the School adopted ("ASU") No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("Topic 605"). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, the School evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, the School applies guidance under Topic

606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

The School evaluates whether contributions are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for the School to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

Analysis of the various provisions of both of these standards resulted in no significant changes in the way the School recognizes revenue.

b. Basis of Presentation

Not-for-profit organizations report information regarding its financial position and activities according to specific classes of net assets as follows:

- *Net Assets Without Donor Restrictions* – accounts for activity without donor-imposed restrictions.
- *Net Assets With Donor Restrictions* – relates to activity based on specific donor restrictions that are expected to be satisfied by the passage of time or performance of activities.

c. Revenue Recognition

Contributions are reported as an increase in net assets without donor restrictions, unless they contain a restriction by the donor for a specific program or time period, in which case they are reported in the net asset class with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is satisfied in the period the contribution has been made, it is recorded as net assets without donor restrictions.

Unconditional promises to give are recorded at net realizable value if expected to be received in one year or at fair value using a risk-adjusted discount rate if expected to be received after one year if material. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Conditional promises to give that have not been recognized amounted to \$821,538 at June 30, 2020 and 2019 and are contingent upon the School meeting certain fundraising milestones.

The School's public-school district revenue and other government grants are primarily conditional, non-exchange transactions and fall under Topic 605. Revenue from these transactions is recognized based on rates established by the School's funding sources and when performance related outcomes are achieved as well as other conditions under the agreements are met. Payments received in advance of conditions being met are recorded as deferred revenue.

Management assesses the collectability of all outstanding receivables based upon historical trends, experience with donors and grantors and the uncertain economic

impact of the pandemic. Based on this review, management has established an allowance for uncollectable pledges receivable of approximately \$510,000 for the year ended June 30, 2020. There was no reserve for the year ended June 30, 2019. At June 30, 2020 and 2019, all government grants receivable are expected to be collected within one year.

d. Cash and Cash Equivalents

The School considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents. This excludes cash held in escrow.

e. Concentration of Credit

Financial instruments, which potentially subject the School to concentration of credit risk, consist of cash and money market accounts, which have been placed with financial institutions that management deems to be creditworthy. At year end and at various times throughout the year, material cash balances were in excess of FDIC insurance levels; however, management feels they have little risk and the School has not experienced any losses from the default of any financial institution.

f. Capitalization Policy

Computer hardware, furniture, leasehold improvements, and equipment are stated at cost or at the fair value at the date of gift, if donated. The School capitalizes fixed assets in excess of \$2,000 that have a useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which generally are between 3 and 5 years.

g. Deferred Rent

Rent expense is recorded on the straight-line basis over the life of the lease. Rent expense recognized in excess of cash payments is reflected as deferred rent. As future payments exceed the annual expense recognized, deferred rent will be reduced to zero at the end of the lease term.

h. Donated Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided in-kind.

The School received in-kind professional legal services that were valued at \$205,249 and \$217,480 for the years ended June 30, 2020 and June 30, 2019, respectively.

The School pays for most other services requiring specific expertise. Board members and other individuals volunteer their time and support its mission and accomplish its programmatic goals. These services do not meet the criteria for recognition as outlined above and have not been recorded in the financial statements.

i. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The following expenses were allocated using the full time equivalent of staff allocation as the basis:

- Salaries
- Employee benefits and payroll taxes
- Occupancy
- Repairs and maintenance
- Insurance
- Utilities
- Equipment
- Student and staff recruitment efforts
- Information technology
- Office expenses
- Communications
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

j. 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.

k. Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the School's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

l. Accounting for Uncertainty in Income Taxes

The School does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2017 and later are subject to examination by applicable taxing authorities.

m. New Accounting Pronouncement

FASB issued ("ASU") No. 2016-02, *Leases*. The ASU, which becomes effective for the June 30, 2023 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

FASB issued ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the June 30, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line item presentation on the statement of activities and additional disclosures.

The School is in the process of evaluating the impact these standards will have on future financial statements.

### **Note 3 - Grants Receivable/Deferred Revenue**

Grants receivable and advances payable on the contract with NYCDOE can be summarized as follows:

	<u>6/30/20</u>	<u>6/30/19</u>
Per pupil funding:		
Beginning grant receivable	\$0	\$11,429
Recognition of PY balances	0	(11,429)
Funding based on allowable FTE's	7,092,136	6,983,316
Advances received	<u>(7,059,493)</u>	<u>(6,983,316)</u>
Ending receivable – per pupil	<u>\$32,643</u>	<u>\$0</u>

In addition to per pupil funding, the School was entitled to receive a rent subsidy, that is calculated at the lower of 30 percent of the per pupil amount or actual lease costs. During the year ended June 30, 2020, the School recognized revenue of \$672,662 as a subsidy for payments made to St. John's Evangelical Lutheran Church in the amount of \$23,747 under the original lease agreement and \$648,915 to Friends of Central Queens Academy Charter School (FCQACS), a related party, under sublease agreement referred to in note 11.

### **Note 4 - Pledges Receivable**

Pledges receivable are due in the following years:

Year ending:	June 30, 2021	\$929,941
	June 30, 2022	<u>50,000</u>
Total		979,941
Less allowance for doubtful accounts		(510,000)
Less discount on receivables (2%)		<u>(2,000)</u>
Total pledges receivable		<u>\$467,941</u>

### **Note 5 - Restricted Cash**

An escrow account has been established to meet the requirement of the New York City Department of Education ("NYCDOE"). The purpose of this account is to ensure sufficient funds are available for an orderly dissolution or transition process in the event of termination of the charter or school closure.

**Note 6 - Fixed Assets**

Fixed assets can be summarized as follows:

	<u>6/30/20</u>	<u>6/30/19</u>
Leasehold improvements – <i>(life of lease)</i>	\$866,740	\$863,686
Construction in progress	337,708	199,986
Furniture and equipment <i>(3-5 years)</i>	<u>523,247</u>	<u>500,590</u>
	1,727,695	1,564,262
Less: accumulated depreciation	<u>(1,330,420)</u>	<u>(1,283,458)</u>
Total fixed assets - net	<u>\$397,275</u>	<u>\$280,804</u>

**Note 7 - Paycheck Protection Program Loan**

During the year ended June 30, 2020, the School obtained a loan from the SBA through the Paycheck Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a five-year period, with a six-month deferral of payments and interest will accrue at 1%. The loan forgiveness amount has not been determined as of the date of these financial statements.

The School expects to recognize revenue from this loan consistent with ASU 2018-08, as it is considered to have traits similar to a conditional contribution; however, will continue to review whether any new accounting pronouncements may be issued that will provide more definitive guidance.

**Note 8 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are summarized as follows:

	<u>June 30, 2020</u>			
	<u>Balance</u>		<u>Released</u>	<u>Balance</u>
	<u>7/1/19</u>	<u>Contributions</u>	<u>from</u>	<u>6/30/20</u>
			<u>Restrictions</u>	
Programs:				
Strategic plan development	\$2,404	\$0	(\$2,404)	\$0
Technology	0	20,000	0	20,000
COVID-19 emergency relief	0	30,000	(220)	29,780
Capital/growth	155,962	0	0	155,962
Time restrictions	<u>248,000</u>	<u>2,000</u>	<u>(150,000)</u>	<u>100,000</u>
Total	<u>\$406,366</u>	<u>\$52,000</u>	<u>(\$152,624)</u>	<u>\$305,742</u>

	June 30, 2019			
	Balance <u>7/1/18</u>	Contributions	Released from <u>Restrictions</u>	Balance <u>6/30/19</u>
Programs:				
Technology	\$2,600	\$0	(\$2,600)	\$0
Strategic plan development	2,404	0	0	2,404
Capital/growth	0	155,962	0	155,962
Time restrictions	<u>198,000</u>	<u>148,000</u>	<u>(98,000)</u>	<u>248,000</u>
Total	<u>\$203,004</u>	<u>\$303,962</u>	<u>(\$100,600)</u>	<u>\$406,366</u>

**Note 9 - Special Events**

Special events are summarized as follows for the year ended June 30, 2019:

Gross revenue	\$194,694
Less: expenses with a direct benefit to donors	<u>(72,743)</u>
	121,951
Less: other event expenses	<u>(29,656)</u>
Total	<u>\$92,295</u>

There was no special event held during the year ended June 30, 2020.

**Note 10 - Significant Concentrations**

The School is dependent upon grants from NYCDOE to carry out its operations. Approximately 92% and 78% of the School's total public support and revenue was from NYCDOE for the years ended June 30, 2020 and 2019, respectively.

Reductions in funding from the NYCDOE as a result of the economic impact of the pandemic, as discussed in Note 16, cannot be estimated, as of the date of these financial statements, and could significantly impact the School's results of operations.

**Note 11 - Related Party Transactions**

On July 17, 2019, the School assigned their lease with St. John's Evangelical Lutheran Church to FCQACS, a related organization described in Note 3. The School entered into a sublease agreement with FCQACS for the space on July 22, 2019. The sublease includes base rent of \$648,915 inclusive of maintenance of \$11,616.

**Note 12 - Commitments and Contingencies**

Government Grants

Government contracts are subject to audit by the grantor. Management does not believe that any audits, if they were to occur, would result in material disallowed costs, and has not established any reserves. Any disallowed costs would be recorded in the period notified.

#### Lease Commitments

On January 18, 2012, the School entered into an operating lease for classroom space and administrative offices that was originally set to expire on July 15, 2015, however, subsequent amendments extended the term to July 15, 2022.

The School entered into a second operating lease for additional classroom and administrative space with a related organization as outlined in Note 11. This lease has been renewed through July 15, 2022.

Future minimum lease payments under the terms of the leases above are as follows:

Year ending:	June 30, 2021	\$1,115,324
	June 30, 2022	1,155,588
	June 30, 2023	<u>48,220</u>
Total		<u>\$2,319,132</u>

In addition, on February 26, 2019, CQA entered into a third lease agreement for classroom and administrative space. The lease commences once construction at the space has been completed by the landlord and will terminate after 49 years. Under the terms of the lease, if substantial completion of the construction on the space has not occurred on or before June 1, 2023, CQA has the right to terminate the agreement with thirty days' notice.

Future minimum lease payments total \$35,102,533 for the first 32 years at which point the rent will be recalculated at the higher of 95% of the fair market value of rent for similar space or the annual fixed rent for the prior year.

#### **Note 13 - Employee Benefits**

The School has a tax deferred annuity plan under IRS section 401(k) for all employees. Under the plan, employees may opt to defer a portion of their gross pay, having that portion of pay be invested in accordance with applicable federal and state guidelines governing deferred compensation programs. The School contributed \$70,587 and \$70,311 to the plan during the years ended June 30, 2020 and 2019, respectively.

#### **Note 14 - Liquidity and Availability of Financial Resources**

CQA maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management, CQA operates its programs within a board approved budget and relies on grants, contributions, and earned income to fund its operations and program activities.



The following reflects CQA's financial assets at June 30, 2020 that are available to meet cash needs for general expenditures within one year:

Cash and cash equivalents	\$8,313,986	
Government grants receivable - per pupil	32,643	
Government grants receivable - other	363,054	
Pledges receivable - net due within 1 year	<u>419,941</u>	
Total financial assets		\$9,129,624
Less amounts not available to be used within one year:		
Contributions restricted – purpose restrictions		<u>(205,742)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$8,923,882</u>

#### **Note 15 - Subsequent Events**

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through October 15, 2020, the date the financial statements were available to be issued. All events that have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements have been made.

#### **Note 16 - Other Matters**

On March 11, 2020, the World Health Organization declared a novel coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern. In future years, this could adversely affect the School's students, donors, and suppliers as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the outbreak. More broadly, the outbreak could affect workforces, economies and financial markets globally, potentially leading to an economic downturn. This could decrease spending, adversely affect demand on the School's services and harm the School's business and results of operations. Management continues to monitor the outbreak; however, as of the date of these financial statements, the potential impact of such on the School's business cannot be quantified.

**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**

To the Board of Directors of  
Central Queens Academy 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 Central Queens Academy Charter School (the "School"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 15, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

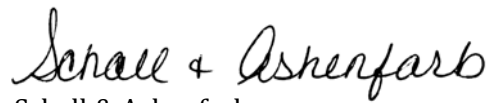
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free 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 financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



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Schall & Ashenfarb

Certified Public Accountants, LLC

October 15, 2020

**CENTRAL QUEENS ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2020**

Current Year:

None

Prior-Year:

None