



October 25, 2021

BDO USA, LLP
600 Third Avenue Third Floor,
New York, NY 10016

Ladies and gentlemen:

We are providing this letter in connection with your audit the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of Cardinal McCloskey Community Charter School (the "School") in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the preparation and fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of the date of this representation letter, as entered on the first page, the following representations made to you during your audit:

- (1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 28, 2021, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
- (2) We have fulfilled our responsibility, as set out in the terms of the aforementioned audit engagement letter, for 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.
- (3) The financial statements include all assets and liabilities under the entity's control.

- (4) We have made available to you:
- (a) All financial records, and related data, including the names of all related parties and all relationships and transactions with related parties, as agreed upon in the terms of the aforementioned audit engagement letter.
 - (b) All additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - (d) Minutes of the meetings of directors and committees of directors that were held from (beginning of the period under audit) to the date of this letter, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- (5) There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
- (6) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements. The financial statement misstatements relating to accounts and disclosures identified and discussed with us in the course of the audit that are included in the attached schedule of corrected misstatements, have been corrected. We have evaluated the propriety of the corrected misstatements based on a review of both the applicable authoritative literature and the underlying supporting evidence from our files and confirm our responsibility for the decision to correct them.
- (7) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud or noncompliance. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud or noncompliance. We have no knowledge of any:
- (a) Fraud or suspected fraud involving management or involving employees who have significant roles in internal control, whether or not perceived to have a material effect on the financial statements.
 - (b) Fraud or suspected fraud involving others where the fraud could have a material effect on the financial statements.
 - (c) Allegations of fraud or suspected fraud affecting the School received in communications from employees, former employees, regulatory agencies, grantors, law firms, predecessor accounting firms, or others.
 - (d) Instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse, whose effects, both quantitatively and qualitatively, should be considered when preparing the financial statements.
- (8) We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.

(9) The following, where applicable and material, have been properly recorded or disclosed in the financial statements:

- (a) The identity of all related parties and all related party relationships and transactions of which we are aware (e.g., transactions with unconsolidated subsidiaries; affiliates under common control with the entity or that are directly or indirectly controlled by the entity; directors, management, and members of their immediate families), including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
- (b) Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
- (c) All derivative instruments and any embedded derivative instruments that require bifurcation, in accordance with FASB ASC 815, *Derivatives and Hedging*.
- (d) Guarantees, whether written or oral, under which Cardinal McCloskey Community Charter School is contingently liable.
- (e) Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB ASC 275-10, *Risk and Uncertainties - Overall*. In that regard, all accounting estimates that could be material to the financial statements, including key factors and significant assumptions underlying those estimates, have been identified, and we believe the estimates are reasonable in the circumstances. The methods, significant assumptions, and the data used in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement, and disclosure that is in accordance with accounting principles generally accepted in the United States of America (other comprehensive basis of accounting). (Significant estimates are estimates at the statement of financial position (balance sheet) date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.).
- (f) The effects of all known actual or possible litigation, claims, and other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*, including:
 - Pending or anticipated tax assessments or refunds, other potential or pending claims, lawsuits by or against any branch of government or others;
 - Written or oral guarantees, endorsements, or unused letters of credit;
 - Unusual warranties or guarantees; or
 - Labor claims or negotiations.

FASB ASC 450-20, *Loss Contingencies*, requires loss contingencies to be accrued if it is probable an asset has been impaired or a liability incurred at the statement of financial position date and the amount of loss can be reasonably estimated. Such contingencies must be disclosed, but may not be accrued, if the loss is reasonably possible (but not probable) or the loss is probable but the amount of loss cannot be reasonably estimated.

- The School is involved in a pending case with a student's guardian due to an incident on December 12, 2019, however as described by the insurance attorney, discovery is ongoing and to date, no depositions have been conducted. As such, it is premature to evaluate the potential liability of the potential liability of the School.

(g) Commitments, such as:

- Major fixed asset purchase agreements;
- More-than-one-year employment arrangements or contracts with suppliers or customers, or one-year-or-longer term leases;
- Deferred compensation, bonuses, pension and profit-sharing plans, or severance pay; or
- Pending sale or merger of all or a portion of the business or of an interest therein or acquisition of all or a portion of the business, assets or securities of another entity;

(h) Joint ventures or other participations, the detailed transactions of which are not carried on our books.

(i) Foreign currency transaction gains or losses, as well as translation of foreign currency financial statements.

(10) There are no:

- (a) Violations or possible violations of laws or regulations and provisions of contracts and grant agreements (including the failure to file reports required by regulatory bodies (e.g., EPA, OCC, FDIC, DOL, Medicare, U.S. Customs Service, HIPAA, IRS, Dept. of Commerce, state and municipal authorities) when the effects of failing to file could be material to the financial statements) whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- (b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with FASB ASC 450.
- (c) Side agreements or other arrangements (either written or oral) that have not been disclosed to you.
- (d) Designation of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.

(11) Receivables recorded in the financial statements represent valid claims against debtors or grantors for sales, contributions, pledges, or other charges arising on or before the statement of financial position date and have been appropriately reduced to their estimated net realizable value.

(12) During the fiscal year ended June 30, 2021, the NYCDOE owed the School Per Pupil, Title I, Title II, Title IV, CSP, and ESSER grant funds totaling \$487,814.

(13) With regard to items reported at fair value: (a) the underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action, (b) the measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied, (c) the disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP and (d) there are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

(14) Cardinal McCloskey Community Charter School has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

(15) We have complied with all aspects of grant agreements and other contractual agreements, including debt covenants, that would have a material effect on the financial statements in the event of noncompliance.

(16) No discussions have taken place with your firm's personnel regarding employment with Cardinal McCloskey Community Charter School.

(17) Cardinal McCloskey Community Charter School is an exempt organization under Section 501(c)(3) of the Internal Revenue Code as evidenced by determination letter dated June 6, 2008. Any activities of which we are aware that would jeopardize our tax-exempt status, all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

(18) We have complied with all restrictions on resources, including donor restrictions, and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.

(19) Net assets with donor restrictions of Cardinal McCloskey Community Charter School at June 30, 2021 consist of the following:

	2021
Various start up costs - Walton Foundation Grant	\$ 54,517

(20) The basis used for the allocation of functional expenses is reasonable, and is in compliance with the provisions of ASU 2016-14.

(21) As part of your audit, you assisted with the preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonattest/nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for the financial statements and related notes.

(22) We are responsible for compliance with laws, regulations, and provisions of contracts and grant agreements applicable to us and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

- (23) Expenditures of federal awards were below the \$750,000 threshold in the audit period for the year ended June 30, 2021, and we were not required to be audited in accordance with the Uniform Guidance.
- (24) There have been no known or suspected breaches of sensitive information (e.g., personnel files) caused by cyber-attack or other means, or other cybersecurity incidents, where the breach or other incidents could have a material effect on the financial statements.
- (25) In conjunction with your audit of the financial statements of Cardinal McCloskey Community Charter School as of June 30, 2021 for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Cardinal McCloskey Community Charter School in conformity with accounting principles generally accepted in the United States of America, we confirm, to the best of our knowledge and belief, as of the date of this representation letter, the following representations made to you during our audit:
- To the extent our normal procedures and controls related to our financial close or other reporting processes at any of our locations were adversely impacted by the COVID-19 outbreak, we took appropriate actions and safeguards to reasonably ensure the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
 - Other than as disclosed in note 8 to the financial statements, no other impacts from COVID-19 outbreak are necessary to be reflected in those financial statements.
 - Disclosures included in the financial statements regarding relevant significant business, financial, and reporting impacts of the COVID-19 outbreak accurately reflect management's full consideration of such impacts.
- (26) In connection with any electronic presentation of the financial statements and your audit report thereon on our web site, we acknowledge that:
- We are responsible for the preparation, presentation, and content of the financial statements in the electronic format.
 - If your audit report is presented on our web site, the full financial statements upon which you reported and to which you appended your signed report will be presented.
 - We will clearly indicate in the electronic presentation on our web site the financial information that is subject to your audit report. We will clearly differentiate any information that may also be presented by us on or in connection with our web site that was contained in the published version of the financial statements and other supplementary information, but which is not part of the audited financial statements or other financial information covered by your audit report.
 - We have assessed the security over financial statement information and the audit report presented on our web site, and are satisfied that procedures in place are adequate to ensure the integrity of the information provided. We understand the risk of potential misrepresentation inherent in publishing financial information on our web site through internal failure or external manipulation.

- If the electronic financial statements are generally made available to the public on our web site, we will include a notification to the reader that such financial statements are presented for convenience and information purposes only, and while reasonable efforts have been made to ensure the integrity of such information, they should not be relied on. A copy of the printed financial statements will be provided on request.
- (27) The accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements.
- (28) We have fully disclosed to you all terms of contracts with customers that affect the amount and timing of revenue recognized in the financial statements, including delivery terms, rights of return or price adjustments, side agreements, implicit provisions, unstated customary business practices, and all warranty provisions.
- (29) We are aware that Marc Taub is the engagement partner and is responsible for supervising the engagement and signing the report.

To the best of our knowledge and belief, no events, have occurred subsequent to the statement of financial position date and through the date of this representation letter, as entered on the first page, that would require adjustment to or disclosure in the aforementioned financial statements (except as follows:).

Very truly yours,

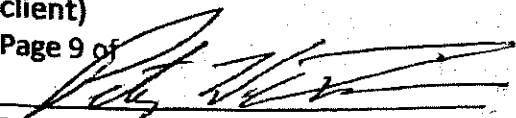


Jennifer Fedele, Principal

Peter Quinn, Treasurer

BDO USA, (Date - To entered by
client)

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Peter Quinn, Treasurer

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CARDINAL MCCLOSKEY COMMUNITY CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

CARDINAL MCCLOSKEY COMMUNITY CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Cardinal McCloskey Community Charter School
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Cardinal McCloskey Community Charter School (the "School"), which comprise the statement of financial position as of June 30, 2021, 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 of 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 School'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 School'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 Cardinal McCloskey Community Charter School as of June 30, 2021, 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.



Other Matter

The financial statements of Cardinal McCloskey Community Charter 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 period from November 8, 2017 (date of inception) to June 30, 2020, and the related notes to the financial statements, were audited by MBAF CPAs, LLC ("MBAF"), whose partners and professional staff joined BDO USA, LLP as of January 16, 2021, and has subsequently ceased operations. MBAF expressed an unmodified opinion on those statements in their report dated October 27, 2020.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2021 on our consideration of Cardinal McCloskey Community 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 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 Cardinal McCloskey Community Charter School's internal control over financial reporting and compliance.

BDO USA, LLP

New York, NY
October 25, 2021

CARDINAL MCCLOSKEY COMMUNITY CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS	2021	2020
Cash	\$ 1,673,582	\$ 407,525
Cash - restricted	50,004	25,000
Grants and other receivables	494,397	406,183
Due from NYC Department of Education	-	15,408
Prepaid expenses and other assets	176,827	126,695
Property and equipment, net	<u>223,585</u>	<u>149,461</u>
	<u>\$ 2,618,395</u>	<u>\$ 1,130,272</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 57,062	\$ 64,077
Accrued salaries and other payroll related expenses	213,235	113,098
Due to NYC Department of Education	<u>26,627</u>	<u>-</u>
	<u>296,924</u>	<u>177,175</u>
NET ASSETS		
Net assets - without donor restrictions	2,266,954	853,988
Net assets - with donor restrictions	<u>54,517</u>	<u>99,109</u>
	<u>2,321,471</u>	<u>953,097</u>
	<u>\$ 2,618,395</u>	<u>\$ 1,130,272</u>

See accompanying notes to the financial statements.

CARDINAL MCCLOSKEY COMMUNITY CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021 AND
THE PERIOD FROM NOVEMBER 8, 2017 (INCEPTION) TO JUNE 30, 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
OPERATING REVENUE WITHOUT DONOR RESTRICTIONS		
State and local per pupil operating revenue	\$ 4,701,228	\$ 3,089,957
Government grants and contracts	275,453	983,192
	<u>4,976,681</u>	<u>4,073,149</u>
EXPENSES		
Program services	3,112,839	2,671,968
Management and general	493,797	1,081,336
Fundraising	1,671	19,706
	<u>3,608,307</u>	<u>3,773,010</u>
SUPPORT AND OTHER INCOME		
Contributions and other income	-	39,320
Rental income	-	238,638
Net assets released from restrictions	44,592	275,891
	<u>44,592</u>	<u>553,849</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>1,412,966</u>	<u>853,988</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	-	375,000
Net assets released from restrictions	(44,592)	(275,891)
(DECREASE) INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(44,592)</u>	<u>99,109</u>
CHANGE IN NET ASSETS	1,368,374	953,097
NET ASSETS – BEGINNING OF PERIOD	<u>953,097</u>	<u>-</u>
NET ASSETS – END OF PERIOD	<u>\$ 2,321,471</u>	<u>\$ 953,097</u>

See accompanying notes to the financial statements.

CARDINAL MCCLOSKEY COMMUNITY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	No. of Positions	Program Services			Supporting Services		2021
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel service costs							
Administrative staff personnel	5	\$ 389,549	\$ 64,547	\$ 454,096	\$ 157,158	\$ -	\$ 611,254
Instructional personnel	31	839,336	482,762	1,322,098	-	-	1,322,098
Total salaries and staff	36	1,228,885	547,309	1,776,194	157,158	-	1,933,352
Fringe benefits and payroll taxes		290,215	129,578	419,793	37,311	-	457,104
Retirement		13,567	6,057	19,624	1,744	-	21,368
Legal services		-	-	-	7,238	-	7,238
Accounting and audit services		-	-	-	16,500	-	16,500
Other purchases of professional and consulting services		11,418	2,678	14,096	198,729	1,671	214,496
Occupancy and facility costs		323,374	144,383	467,757	41,575	-	509,332
Repairs and maintenance		2,697	1,204	3,901	347	-	4,248
Insurance		18,353	8,195	26,548	2,360	-	28,908
Utilities		1,948	870	2,818	250	-	3,068
Instructional supplies and materials		57,191	13,416	70,607	-	-	70,607
Equipment and furnishings		2,573	1,149	3,722	331	-	4,053
Staff development		25,312	11,302	36,614	3,254	-	39,868
Marketing and recruitment		24,740	11,046	35,786	3,181	-	38,967
Technology		69,519	31,040	100,559	8,938	-	109,497
Student services		5,474	1,284	6,758	-	-	6,758
Office expense		16,126	7,200	23,326	2,073	-	25,399
Depreciation and amortization		54,082	24,147	78,229	6,952	-	85,181
Other		18,325	8,182	26,507	5,856	-	32,363
		\$ 2,163,799	\$ 949,040	\$ 3,112,839	\$ 493,797	\$ 1,671	\$ 3,608,307

See accompanying notes to the financial statements.

CARDINAL MCCLOSKEY COMMUNITY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE PERIOD FROM NOVEMBER 8, 2017 (INCEPTION) TO JUNE 30, 2020

	No. of Positions	Program Services			Supporting Services		2020
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel service costs							
Administrative staff personnel	5	\$ 301,555	\$ 73,764	\$ 375,319	\$ 293,810	\$ 6,330	\$ 675,459
Instructional personnel	22	722,190	324,648	1,046,838	-	-	1,046,838
Total salaries and staff	27	1,023,745	398,412	1,422,157	293,810	6,330	1,722,297
Fringe benefits and payroll taxes		207,356	81,085	288,441	53,306	1,039	342,786
Retirement		1,662	663	2,325	200	-	2,525
Legal services		-	-	-	48,921	-	48,921
Accounting and audit services		-	-	-	97,523	-	97,523
Other purchases of professional and consulting services		44,122	8,531	52,653	242,216	2,453	297,322
Occupancy and facility costs		381,348	139,241	520,589	268,705	8,115	797,409
Repairs and maintenance		1,360	543	1,903	163	-	2,066
Insurance		17,259	4,974	22,233	35,138	1,199	58,570
Utilities		76	-	76	546	19	641
Instructional supplies and materials		97,197	21,559	118,756	-	-	118,756
Equipment and furnishings		7,066	2,222	9,288	5,273	191	14,752
Staff development		15,358	4,146	19,504	9,035	-	28,539
Marketing and recruitment		47,273	4,312	51,585	1,530	-	53,115
Technology		47,213	18,580	65,793	10,232	164	76,189
Student services		16,613	4,093	20,706	-	-	20,706
Office expense		23,749	9,351	33,100	7,752	79	40,931
Depreciation and amortization		30,206	12,053	42,259	3,630	-	45,889
Other		561	39	600	3,356	117	4,073
		\$ 1,962,164	\$ 709,804	\$ 2,671,968	\$ 1,081,336	\$ 19,706	\$ 3,773,010

See accompanying notes to the financial statements.

CARDINAL MCCLOSKEY COMMUNITY CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021 AND
THE PERIOD FROM NOVEMBER 8, 2017 (INCEPTION) TO JUNE 30, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operating revenue	\$ 4,903,875	\$ 3,651,558
Other cash received	-	647,738
Cash paid to employees and suppliers	<u>(3,453,509)</u>	<u>(3,676,641)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,450,366	622,655
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(159,305)</u>	<u>(190,130)</u>
NET INCREASE IN CASH	1,291,061	432,525
CASH AND CASH - RESTRICTED - BEGINNING OF PERIOD	<u>432,525</u>	<u>-</u>
CASH AND CASH - RESTRICTED - END OF PERIOD	<u>\$ 1,723,586</u>	<u>\$ 432,525</u>

Reconciliation of change in net assets to net cash provided by operating activities:

Change in net assets	\$ 1,368,374	\$ 953,097
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	85,181	45,889
Non-cash contributions	-	(5,220)
Changes in operating assets and liabilities:		
Grants and other receivables	(88,214)	(406,183)
Due from NYC Department of Education	15,408	(15,408)
Prepaid expenses and other assets	(50,132)	(126,695)
Accounts payable and accrued expenses	(7,015)	64,077
Accrued salaries and other payroll related expenses	100,137	113,098
Due to NYC Department of Education	<u>26,627</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,450,366</u>	<u>\$ 622,655</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash and cash - restricted consist of:

Cash	\$ 1,673,582	\$ 407,525
Cash - restricted	<u>50,004</u>	<u>25,000</u>
	<u>\$ 1,723,586</u>	<u>\$ 432,525</u>

See accompanying notes to the financial statements.

CARDINAL MCCLOSKEY COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

1. NATURE OF THE ORGANIZATION

Cardinal McCloskey Community Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on November 8, 2017 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School, led by the Board of Trustees, received a charter from the Charter Schools Institute – State University of New York ("SUNY-CSI") to operate a charter school in the State of New York pursuant to certain terms and conditions set forth in its approved charter application and charter agreement dated August 10, 2017. The School's charter agreement shall expire in July 2024 unless earlier terminated or renewed.

The School opened its doors in the fall of 2019 in the Bronx to kindergarten and first grade students. By the end of the 2020-21 school year, the School has expanded to second grade students.

The School, as determined by the Internal Revenue Service, is exempt from federal income tax under Section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC. It is also exempt under a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(ii) of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the School's net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets – with donor restrictions or without donor restrictions – be displayed in a statement of financial position and that the amount of the change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Net Assets with Donor Restrictions consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor-imposed restrictions are perpetual in nature.

Net Assets without Donor Restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. This net asset category includes both contributions not subject to donor restrictions and exchange transactions, and are, therefore, available for general operations.

Cash – Restricted

An escrow account in the amount of \$50,004 and \$25,000 was held aside under the provisions of the School's charter to pay for legal and audit expenses that would be associated with a dissolution should it occur, as required by the NYSED as of June 30, 2021 and 2020, respectively.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Other Receivables

Grants and other receivables represent unconditional promises by government agencies and donors. Grants and other receivables that are expected to be collected within one year and are recorded at net realizable value are \$494,397 and \$406,183 at June 30, 2021 and 2020, respectively. The School has determined that no allowance for uncollectible accounts for grants and other receivables is necessary as of June 30, 2021 and 2020. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions.

Contributions

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions.

Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a measurable barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the School fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets as to time or purpose restrictions.

Contributions subject to donor restrictions are recognized in changes in net assets with donor restrictions. When a purpose restriction is satisfied or when a time restriction expires, the contribution is reported as net assets released from restrictions and is recognized in changes in net assets without donor restrictions in the statement of activities.

Revenue Recognition

Per-Pupil Revenue

The School recognizes revenues from per-pupil funding in the fiscal year in which the academic programs are provided. Per-pupil revenue is billed and received based on the total number of full-time equivalent (FTE) students and the basic charter school tuition rate for the school district of residence of the students attending the School in any given fiscal year for general education and special education. The FTE is formula-driven and based on the number of days the student has been with the School as a proportion of the number of days in the entire school year (the calculation is done by using the New York State calculator online). The School's total student population includes general education and special education students. The School has determined that revenue from its students has the same performance obligations, types of contract, and services rendered. As a result, the student body is viewed as one customer base for revenue purposes. The School uses a portfolio approach to account for per-pupil contracts as a collective group rather than recognizing revenue on an individual-contract basis. The School believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

Per-Pupil Revenue (continued)

Per-pupil invoicing is managed on a bi-monthly basis to the funding source (local school district). Billing is a function of student enrollment for the upcoming fiscal year, which is the basis for the first two invoices per-pupil due June 1st and July 31st, which is a projection. Subsequent invoices are due bi-monthly. With the implementation of an automated-invoicing process through a dedicated website, the submission of each invoice is done online. After the year is complete, the School submits the FTE per-pupil reconciliation, listing every student who attended any part of the year, and the FTE each represents. Based on this final count, it calculates how much should have been paid to the School and included in the reconciliation will be any amounts due from the funding source included in grants and other receivables on the statement of financial position at year end, or any amounts payable to the funding source included as a liability on the statement of financial position at year end, as amounts are true up to actual based on actual numbers submitted at year end.

Additional funding is also provided to support special education services. All students who are identified to need special education services or settings have an Individualized Education Program ("IEP"), formalized for his or her unique needs. Based on this IEP, the student is categorized into one of three levels of service: 0-20% service, 20-60% service, or 60% or more service required and provided by the School. For a student receiving less than 20% in services, no additional funding is received. For a student receiving services between 20% and 60% and 60% or more services of the school day, additional funding per FTE is received. Billing for this support is incorporated into the per-pupil invoices and is also settled in the same FTE per-pupil reconciliation process.

As the students receive the benefit of these services simultaneously as the School is providing them, the School recognizes per-pupil revenue from these services over time. The School believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to students receiving academic or school services. The School measures the performance obligation from admission or enrollment into the School to the point when the student is discharged or the end of the school year where it is no longer required to provide services to the student, which is generally at the time of discharge or the completion of the school year. All of these services are bundled and considered a single-performance obligation, and as such, the School accounts for these bundled-performance obligations under state and local per pupil operating revenue in the statement of activities and recognizes the per-pupil revenue over time.

Government Grants

Revenue from federal, state, and local government grants and contracts is recognized by the School when qualifying expenditures are incurred and billable to the government, or when required services have been provided.

Contract Assets and Contract Liabilities

In accordance with Accounting Standards Codification (ASC) 606, contract assets are to be recognized when an entity has the right to receive consideration in exchange for goods or services that have been transferred to a customer when that right is conditional on something other than the passage of time. The School does not recognize contract assets, as the right to receive consideration is unconditional in accordance with the passage of time criteria. Also, in accordance with ASC 606, contract liabilities are to be recognized when an entity is obligated to transfer goods or services for which consideration has already been received. The School does not receive consideration prior to the transfer of goods or services and, therefore, does not recognize contract liabilities.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions of Nonfinancial Assets

The School may receive contributed services that are an integral part of its operations. Such services are only recorded as contributions of nonfinancial assets, at their fair value, provided the services received create or enhance nonfinancial assets, require specified skills provided by individuals possessing those skills, and typically need to be purchased, if not provided by donation.

Donations of goods are recognized as contributions in-kind, at their fair value, provided the goods received create or enhance non-financial assets. For the period ended June 30, 2020, donated goods consist of technology and are estimated at \$5,220.

Property and Equipment

Property and equipment are stated at cost and are depreciated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful life of the asset or the lease term. The School has established a \$5,000 threshold above which assets are evaluated to be capitalized. Property and equipment acquired with certain government contract funds is recorded as an expense pursuant to the terms of the contract in which the government funding source retains ownership of the property. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized, based on the established threshold.

Impairment

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized for the period ended June 30, 2021 and 2020.

Advertising

The School expenses advertising costs as incurred. The School incurred \$38,967 and \$53,115 of advertising costs for the year ended June 30, 2021 and the period from November 8, 2017 (inception) to June 30, 2020, respectively, which is included in the accompanying statements of functional expenses under marketing and recruitment.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis and by natural classification in the accompanying statement of activities. Accordingly, certain costs have been allocated among the respective programs and activities according to the functional categories, as follows:

Program Services – This category represents expenses related to general education and special education for certain students requiring additional attention and guidance. These costs are allocated based on the FTE allocation method.

Management and General – This category represents expenses related to the overall administration and operation of the School that are not specific to any program services or development. These costs are allocated based on the FTE allocation method.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Reclassifications

Certain accounts in the June 30, 2020 financial statements have been reclassified to conform to the June 30, 2021 presentation. These reclassifications had no effect on net income or net assets.

Subsequent Events

The School has evaluated events through October 25, 2021, which is the date the financial statements were available to be issued.

Income Taxes

The School is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the year ended June 30, 2021.

Under U.S. GAAP, an organization must recognize the tax benefit associate with tax positions taken for tax-return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The School does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The School is subject to routine audits by a taxing authority. As of June 30, 2021, the School was not subject to any examination by a taxing authority.

Adopted Accounting Pronouncement

Revenue from Contracts with Customers (Topic 606)

During the year ended June 30, 2021, the School adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as of July 1, 2020 using the modified-retrospective approach. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. The School's revenue is derived primarily from per-pupil revenue for services provided to students. Per-pupil revenues are recognized as revenue over the course of the academic school year or program for which it is earned. The adoption of ASU 2014-09 did not result in a material change to the timing of when revenue is recognized.

Recent Accounting Pronouncements

Lease Accounting

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases*, which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2021. The School is currently evaluating the impact of the adoption of ASU 2016-02.

CARDINAL MCCLOSKEY COMMUNITY CHARTER SCHOOL

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020****2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recent Accounting Pronouncements (continued)Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The update requires not-for-profits to present contributed nonfinancial assets as a separate line item on the statement of activities, and to disclose information regarding each type of contributed nonfinancial assets. The update is effective for financial statements issued for fiscal years beginning after June 15, 2021, and interim periods within fiscal years beginning after June 15, 2022, with early application permitted. The School is currently evaluating the impact of the adoption of ASU 2020-07.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The School maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The School's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

June 30,	2021	2020
Cash	\$ 1,673,582	\$ 407,525
Cash - restricted	50,004	25,000
Grants and other receivables	494,397	406,183
Due from NYC Department of Education	-	15,408
Total financial assets	<u>2,217,983</u>	<u>854,116</u>
Less amounts unavailable for general expenditures within one year due to:		
Restricted by contract	(50,004)	(25,000)
Restricted by donors with purpose restrictions	<u>(54,517)</u>	<u>(99,109)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 2,113,462</u>	<u>\$ 730,007</u>

4. PROPERTY AND EQUIPMENT

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

	2021	2020	Estimated Useful Lives
Furniture and fixtures	\$ 81,729	\$ 74,144	7 years
Computer equipment	243,071	91,351	3 years
Software	6,500	6,500	3 years
			Lesser of the useful life of the asset or the lease term
Leasehold improvements	<u>23,355</u>	<u>23,355</u>	
	<u>354,655</u>	<u>195,350</u>	
Less: accumulated depreciation and amortization	<u>(131,070)</u>	<u>(45,889)</u>	
	<u>\$ 223,585</u>	<u>\$ 149,461</u>	

CARDINAL MCCLOSKEY COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

4. PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation and amortization expense for the year ended June 30, 2021 and the period from November 8, 2017 (inception) to June 30, 2020 was \$85,181 and \$45,889, respectively.

5. GRANTS AND OTHER RECEIVABLES

Grants and other receivables consist of federal and state entitlements and grants, as well as unconditional promises to give by donors. The School expects to collect these receivables within one year. Grants and other receivables consist of the following as of June 30,:

	2021	2020
CSP	\$ 320,738	\$ 299,738
Title I	103,642	63,503
Title II	16,168	8,663
Title IV	8,000	-
ESSER	39,266	-
Other	6,583	5,550
NYS Additional Funding	-	28,729
	<u>\$ 494,397</u>	<u>\$ 406,183</u>

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2021 and 2020 are available for the following purposes:

	2021	2020
Various start up costs - Walton Foundation Grant	\$ 54,517	\$ 69,862
COVID-19 Crisis Grant - NYC Charter School Center	-	12,450
COVID-19 Crisis Costs - Walton Foundation Grant	-	16,797
	<u>\$ 54,517</u>	<u>\$ 99,109</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows for the year ended June 30, 2021 and the period from November 8, 2017 (inception) to June 30, 2020:

	2021	2020
Various start up costs - Walton Foundation Grant	\$ 15,345	\$ 255,139
COVID-19 Crisis Grant - NYC Charter School Center	12,450	17,550
COVID-19 Crisis Costs - Walton Foundation Grant	16,797	3,202
	<u>\$ 44,592</u>	<u>\$ 275,891</u>

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

7. PENSION PLAN

The School has adopted the Cardinal McCloskey Community Charter School 403(b) Plan (the "Plan") which is qualified under Internal Revenue Code 403(b) for benefit of its eligible employees. The Plan is a defined contribution plan. There are no eligibility requirements for employees to enroll in the Plan. Employees are eligible to receive employer safe harbor contributions once they have completed six consecutive months of service. The Plan calls for the School to match 100% of an eligible employee's contribution up to 3%, plus 50% of an eligible employee's contribution between 3% and 5% of their fiscal year salary. Employees are also eligible for discretionary employer contributions. The vesting period for the Plan is based on a vesting table in which it takes two years to be partially vested and six years to be fully vested. Pension expense amounted to \$21,368 and \$2,525 for the year ended June 30, 2021 and the period from November 8, 2017 (inception) to June 30, 2020, respectively, and is included in retirement in the statements of functional expenses.

8. RISK MANAGEMENT

- A. The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks. The School also intends to defend its positions on these matters. As of June 30, 2021, there are no matters for which the School believes the ultimate outcome would have a material adverse effect on the School's financial position.
- B. The School entered into contractual relationships with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund. The School is of the opinion that such cost disallowances, if any, will not have a material effect in the School's financial statements.
- C. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES") was signed into law in response to the coronavirus (COVID-19) pandemic. The CARES Act includes many measures to provide relief to companies and organizations. Under the CARES Act, the Local Education Agencies (LEAs) received funds from the Elementary and Secondary School Emergency Relief ("ESSER") fund to provide equitable services to students and teachers in non-public schools. The School was granted funds to defray the COVID-19 outbreak costs under the aforementioned ESSER fund during the year ended June 30, 2021.

9. CONCENTRATIONS

Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limit of \$250,000.

The School received approximately 94% and 65% of its total revenue from per pupil funding from the NYCDOE during the year ended June 30, 2021 and the period from November 8, 2017 (inception) to June 30, 2020, respectively.

The School's grants and other receivables consist of two major grantors accounting for approximately 81% at June 30, 2021. The School's grants and other receivables consist of one major grantor accounting for approximately 99% at June 30, 2020.

The School's payables consist of three major vendors accounting for approximately 74% and 70% at June 30, 2021 and 2020, respectively.

CARDINAL MCCLOSKEY COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

10. COMMITMENT AND CONTINGENCIES

In April 2018, the School entered into a lease agreement with Aquinas High School, Dominican Convent of Our Lady of the Rosary for leasing the premises at 685 East 182nd Street, Bronx, New York 10457. Effective July 2019, the School amended the lease agreement through July 31, 2021. As part of the lease agreement, the School was required to pay a security deposit of \$89,668, which is included in the accompanying statements of financial position under prepaid expenses and other assets.

In September 2021, the School entered into a lease agreement with Dominican Convent of Our Lady of the Rosary for leasing the premises at 685 East 182nd Street, Bronx, New York 10457 effective September 1, 2021 and expiring on June 30, 2026. As part of the new lease agreement, the School was required to pay an additional security deposit of \$72,499 for the total amount of \$162,167.

At June 30, 2021, future minimum rental lease payments are as follows:

June 30,	
2022	\$ 1,123,559
2023	1,336,258
2024	1,395,329
2025	1,441,100
2026	1,484,333
	<hr/>
	\$ 6,780,579

Rent expense and occupancy costs for the year ended June 30, 2021 and the period from November 8, 2017 (inception) to June 30, 2020 was \$509,332 and \$797,409, respectively, and is included in occupancy and facility costs on the statements of functional expenses.

As a result of the School's decision to take an additional planning year and not open for operations in the fall of 2018, the School subleased the premises at 685 East 182nd Street to Cardinal McCloskey School and Home for Children d/b/a Cardinal McCloskey Community Services ("CMCS"), a related party of the School. The sublease agreement term was from August 15, 2018 to July 31, 2019. Rental income from the sublease amounted to \$238,638 over the life of the lease, which is included in the accompanying statements of activities as rental income.



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**Independent Auditor's 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
Cardinal McCloskey Community Charter School
New York, New York

We have audited, 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, the financial statements of Cardinal McCloskey Community Charter School (the "School"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated October 25, 2021.

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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School'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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

New York, NY
October 25, 2021

CARDINAL MCCLOSKEY COMMUNITY CHARTER SCHOOL

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Noncompliance material to financial statements

2. FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements that are required to be reported in accordance with generally accepted government auditing standards.