



# **CENTRAL QUEENS ACADEMY CHARTER SCHOOL**

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

**June 30, 2021**

# CENTRAL QUEENS ACADEMY CHARTER SCHOOL

## Table of Contents

	<b><u>Page</u></b>
Independent Auditor's Report	1 – 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 15
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16 – 17
Schedule of Findings and Responses	18

## **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, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

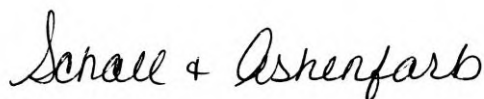
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Queens Academy Charter School as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the School's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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 TBD 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.



Schall & Ashenfarb  
Certified Public Accountants, LLC

October 18, 2021

**CENTRAL QUEENS ACADEMY CHARTER SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2021**  
(With comparative totals at June 30, 2020)

	<u>6/30/21</u>	<u>6/30/20</u>
<b>Assets</b>		
Cash and cash equivalents	\$8,707,383	\$8,313,986
Government grants receivable - per pupil (Note 3)	0	32,643
Government grants receivable - other	269,843	363,054
Pledges receivable, net	107,659	467,941
Other receivables	0	3,041
Prepaid expenses	215,813	152,752
Security deposit	1,708,560	1,121,060
Fixed assets, net (Note 4)	485,739	397,275
Restricted cash (Note 5)	79,389	79,151
	<u>\$11,574,386</u>	<u>\$10,930,903</u>
	<u><u>\$11,574,386</u></u>	<u><u>\$10,930,903</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$1,013,697	\$1,100,966
Government grant advances - per pupil (Note 3)	5,974	0
Government grant advances - rental assistance	34,212	10,576
Deferred rent	39,026	37,573
Paycheck Protection Program loan (Note 6)	0	1,024,182
Total liabilities	<u>1,092,909</u>	<u>2,173,297</u>
Net assets:		
Without donor restrictions	10,102,606	8,451,864
With donor restrictions (Note 7)	378,871	305,742
Total net assets	<u>10,481,477</u>	<u>8,757,606</u>
	<u><u>10,481,477</u></u>	<u><u>8,757,606</u></u>
Total liabilities and net assets	<u>\$11,574,386</u>	<u>\$10,930,903</u>
	<u><u>\$11,574,386</u></u>	<u><u>\$10,930,903</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, 2021**  
(With comparative totals for the year ended June 30, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 6/30/21</u>	<u>Total 6/30/20</u>
Public support and revenue:				
Public school district revenue: (Note 2c)				
Resident student enrollment	\$6,406,877		\$6,406,877	\$6,533,483
Students with disabilities	569,866		569,866	558,653
Subtotal public school district revenue	<u>6,976,743</u>	<u>0</u>	<u>6,976,743</u>	<u>7,092,136</u>
Government grants:				
Paycheck Protection Program (Note 6)	1,024,182		1,024,182	0
Federal	427,567		427,567	371,483
State	0		0	79,157
New York City rental assistance (Note 3)	654,905		654,905	672,662
Subtotal government grants	<u>2,106,654</u>	<u>0</u>	<u>2,106,654</u>	<u>1,123,302</u>
Contributions	473,828	339,400	813,228	165,823
Donated services (Note 2i)	232,961		232,961	205,249
Interest income	53,770		53,770	89,095
Other income	10,079		10,079	577
Released from restriction	<u>266,271</u>	<u>(266,271)</u>	<u>0</u>	<u>0</u>
Total public support and revenue	<u>10,120,306</u>	<u>73,129</u>	<u>10,193,435</u>	<u>8,676,182</u>
Expenses:				
Program services:				
Regular education	5,372,247		5,372,247	5,252,434
Special education	984,519		984,519	930,459
Total program services	<u>6,356,766</u>	<u>0</u>	<u>6,356,766</u>	<u>6,182,893</u>
Supporting services:				
Management and general	1,602,052		1,602,052	1,425,356
Fundraising	393,038		393,038	314,926
Total supporting services	<u>1,995,090</u>	<u>0</u>	<u>1,995,090</u>	<u>1,740,282</u>
Total expenses	<u>8,351,856</u>	<u>0</u>	<u>8,351,856</u>	<u>7,923,175</u>
Change in net assets from operations	1,768,450	73,129	1,841,579	753,007
Non-operating activities				
Lease termination fee (Note 11)	500,000		500,000	0
Loss on impairment of fixed assets (Note 11)	(337,708)		(337,708)	0
Return of grant funds	<u>(280,000)</u>		<u>(280,000)</u>	<u>0</u>
Change in net assets	1,650,742	73,129	1,723,871	753,007
Net assets - beginning of year	<u>8,451,864</u>	<u>305,742</u>	<u>8,757,606</u>	<u>8,004,599</u>
Net assets - ending of year	<u><u>\$10,102,606</u></u>	<u><u>\$378,871</u></u>	<u><u>\$10,481,477</u></u>	<u><u>\$8,757,606</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, 2021**  
(With comparative totals for the year ended June 30, 2020)

	Program Services			Supporting Services				
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 6/30/21	Total Expenses 6/30/20
Salaries:								
Instructional personnel	\$2,179,106	\$447,523	\$2,626,629			\$0	\$2,626,629	\$2,620,408
Non-instructional personnel	1,156,373	212,570	1,368,943	\$531,847	\$317,122	848,969	2,217,912	1,757,431
Additional compensation	88,198	14,525	102,723	11,118	3,236	14,354	117,077	165,621
Total salaries	3,423,677	674,618	4,098,295	542,965	320,358	863,323	4,961,618	4,543,460
Employee benefits and payroll taxes	629,046	103,596	732,642	79,293	23,083	102,376	835,018	793,858
Total personnel costs	4,052,723	778,214	4,830,937	622,258	343,441	965,699	5,796,636	5,337,318
Professional fees	56,441	9,295	65,736	232,241	2,071	234,312	300,048	228,601
In-kind professional fees			0	232,961		232,961	232,961	205,249
Occupancy	931,427	153,395	1,084,822	117,408	34,178	151,586	1,236,408	1,233,593
Repairs and maintenance	9,917	1,633	11,550	1,250	364	1,614	13,164	22,155
Insurance	51,057	8,409	59,466	6,436	1,873	8,309	67,775	61,285
Utilities	14,144	2,329	16,473	1,783	519	2,302	18,775	26,797
Curriculum and classroom expenses	5,950		5,950			0	5,950	15,644
Classroom supplies and materials	52,372		52,372			0	52,372	35,304
Equipment	24,329	4,007	28,336	3,067	891	3,958	32,294	37,522
Professional development	9,725	201	9,926	666	45	711	10,637	17,229
Student and staff recruitment	70,315	11,580	81,895	8,863	6,213	15,076	96,971	36,918
Information technology	34,392	5,664	40,056	4,335	1,262	5,597	45,653	53,170
Office expenses	3,119	514	3,633	394	114	508	4,141	25,241
Communications	13,140	2,164	15,304	1,656	482	2,138	17,442	22,971
Miscellaneous	4,594	757	5,351	3,868	169	4,037	9,388	7,216
Depreciation	38,602	6,357	44,959	4,866	1,416	6,282	51,241	46,962
Bad debt expense			0	360,000		360,000	360,000	510,000
Total expenses	\$5,372,247	\$984,519	\$6,356,766	\$1,602,052	\$393,038	\$1,995,090	\$8,351,856	\$7,923,175

*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, 2021**  
(With comparative totals for the year ended June 30, 2020)

	<u>6/30/21</u>	<u>6/30/20</u>
Cash flows from operating activities:		
Change in net assets	\$1,723,871	\$753,007
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	51,241	46,962
Loss on impairment of fixed assets	337,708	0
Bad debt expense	360,000	510,000
Changes in assets and liabilities:		
Government grants receivable - per pupil	32,643	(32,643)
Government grants receivable - other	93,211	(58,520)
Pledges receivable	282	153,784
Other receivables	3,041	(3,041)
Prepaid expenses	(63,061)	(109,044)
Security deposit	(587,500)	0
Accounts payable and accrued expenses	(87,269)	112,629
Government grant advances - per pupil	5,974	0
Government grant advances - rental assistance	23,636	0
Deferred rent	1,453	37,573
Government grant - Paycheck Protection Program	<u>(1,024,182)</u>	<u>1,024,182</u>
Total adjustments	<u>(852,823)</u>	<u>1,681,882</u>
Net cash flows provided by operating activities	<u>871,048</u>	<u>2,434,889</u>
Cash flows from investing activities:		
Purchases of fixed assets	<u>(477,413)</u>	<u>(163,433)</u>
Net cash flows used for investing activities	<u>(477,413)</u>	<u>(163,433)</u>
Net increase in cash and cash equivalents	393,635	2,271,456
Cash, cash equivalents and restricted cash - beginning of year	<u>8,393,137</u>	<u>6,121,681</u>
Cash, cash equivalents and restricted cash - ending of year	<u><u>\$8,786,772</u></u>	<u><u>\$8,393,137</u></u>
Supplemental disclosures:		
Reconciliation of cash and restricted cash to the statement of financial position:		
Cash and cash equivalents	\$8,707,383	\$8,313,986
Restricted cash	79,389	79,151
Total	<u><u>\$8,786,772</u></u>	<u><u>\$8,393,137</u></u>

*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, 2021**

**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 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.

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

The School follows the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2018-08 ("Topic 605") for recording contributions, which are recorded at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in one of the classes of net assets described above, depending on the existence and/or nature of any donor-imposed 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. If donor restricted contributions are satisfied in the same period they are received, they are classified as 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.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments, or release from obligations, and are recognized as income once the conditions have been substantially met.

Conditional promises to give that have not been recognized amounted to \$496,538 and \$821,538 at June 30, 2021 and 2020, respectively 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 determined that a pledge in the amount of \$870,000 is not collectable. A reserve of \$510,000 was established in previous years and the remaining \$360,000 was written off and charged to bad debt expense during 2021.

At June 30, 2021 and 2020, all pledges and government grants receivable are expected to be collected within one year.

d. Operating/Non-Operating Activities

Operating activity includes ongoing revenue and expenses of the School in fulfilling its mission. The School has elected to display activity that is non-recurring in a separate section of the statement of activities that is labeled non-operating activities.

e. 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.

The School follows ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This requires that restricted cash and cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows.

f. 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.

g. 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.

h. 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.

i. 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 \$232,961 and \$205,249 for the years ended June 30, 2021 and 2020, 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.

j. 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.

k. 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.

l. 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, 2020, from which the summarized information was derived.

m. 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, 2018 and later are subject to examination by applicable taxing authorities.

n. New Accounting Pronouncements

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.

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.

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

**Note 3 - Government Grants (Advances)/Receivable - Per Pupil**

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

	<u>6/30/21</u>	<u>6/30/20</u>
Per pupil funding:		
Beginning grant receivable	\$32,643	\$0
Collection of PY balances	(32,643)	0
Funding based on allowable FTE's	6,976,743	7,092,136
Advances received	<u>(6,982,717)</u>	<u>(7,059,493)</u>
Ending (deferred)/receivable		
- per pupil	<u><u>(\$5,974)</u></u>	<u><u>\$32,643</u></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, 2021, the School recognized revenue of \$654,905 as a subsidy for payments made to Friends of Central Queens Academy Charter School (FCQACS), a related party, under sublease agreement referred to in Note 9.

**Note 4 - Fixed Assets**

Fixed assets can be summarized as follows:

	<u>6/30/21</u>	<u>6/30/20</u>
Leasehold improvements – <i>(life of lease)</i>	\$866,740	\$866,740
Construction in progress	366,742	337,708
Furniture and equipment <i>(3-5 years)</i>	<u>633,918</u>	<u>523,247</u>
	1,867,400	1,727,695
Less: accumulated depreciation	<u>(1,381,661)</u>	<u>(1,330,420)</u>
Total fixed assets - net	<u><u>\$485,739</u></u>	<u><u>\$397,275</u></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 - Paycheck Protection Program**

During the year ended June 30, 2020, the School obtained a loan from the Small Business Administration ("SBA") through the Paycheck Protection Program ("PPP"). Terms of the loan indicated that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that were greater than pre-determined historical periods, that the loan, or a portion thereof, would be forgiven. Portions that are not forgiven are payable over a two-year period, with a ten-month deferral of payments and interest will accrue at 1%.

The School accounts for the PPP loan in accordance with Topic 605 as it is considered to have traits similar to a conditional contribution. As all conditions were met at year end, revenue in the amount \$1,024,182 was recognized in 2021. In addition, the School was notified that full forgiveness was approved by the SBA.

**Note 7 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are summarized as follows:

	<u>June 30, 2021</u>			
	<u>Balance</u> <u>7/1/20</u>	<u>Contributions</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>6/30/21</u>
Programs:				
Technology	\$20,000	\$14,400	(\$30,529)	\$3,871
Elementary School Operations	0	325,000	0	325,000
COVID-19 emergency relief	29,780	0	(29,780)	0
Capital/growth	155,962	0	(155,962)	0
Time restrictions	<u>100,000</u>	<u>0</u>	<u>(50,000)</u>	<u>50,000</u>
Total	<u>\$305,742</u>	<u>\$339,400</u>	<u>(\$266,271)</u>	<u>\$378,871</u>
	<u>June 30, 2020</u>			
	<u>Balance</u> <u>7/1/19</u>	<u>Contributions</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>6/30/20</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>

**Note 8 - Significant Concentrations**

The School is dependent upon grants from NYCDOE to carry out its operations. Approximately 77% and 92% of the School's total public support and revenue was from NYCDOE for the years ended June 30, 2021 and 2020, respectively.

Reductions in funding from the NYCDOE could significantly impact the School's results of operations.

**Note 9 - Related Party Transactions**

On July 17, 2019, the School assigned their lease for rent with an outside party, 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 \$671,250 inclusive of monthly maintenance of \$10,000.

**Note 10 - 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 9. This lease has been renewed through July 15, 2022.

The School entered into a third operating lease agreement for temporary classroom and administrative space in January 2021. The lease runs for one year and is set to expire on June 30, 2022 with the option to renew for an additional one-year term.

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

Year ending:	June 30, 2022	\$1,680,588
	June 30, 2023	<u>48,220</u>
Total		<u><u>\$1,728,808</u></u>

On January 5, 2021, the School entered into a fourth 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 32 years. Under the terms of the lease, if substantial completion of the construction on the space has not occurred on or before June 1, 2022, the School has the right to terminate the agreement with thirty days' notice.

Future minimum lease payments total \$151,667,178 under the terms of this lease. The School anticipates receiving New York City rental assistance revenue and resident student enrollment revenue in futures years to cover these lease payments.

**Note 11 - Gain on Lease Termination**

The School had a lease agreement for classroom and administrative space that was being built for them. The lease would have commenced once construction at the space had been completed by the landlord. During the year ended June 30, 2021, this lease was terminated by the landlord, the School's security deposit was refunded and under terms of the termination agreement the School received \$500,000 as a lease termination fee.

The School determined that construction in progress that related to this terminated lease was permanently impaired. As a result, those previously capitalized costs were written-off and impairment loss in the amount of \$337,708 was recognized.

**Note 12 - 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 \$73,874 and \$70,587 to the plan during the years ended June 30, 2021 and 2020, respectively.

**Note 13 - Liquidity and Availability of Financial Resources**

The School 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 the School's financial assets at June 30, 2021 that are available to meet cash needs for general expenditures within one year:

Cash and cash equivalents	\$8,707,383	
Government grants receivable - other	269,843	
Pledges receivable	<u>107,659</u>	
Total financial assets		\$9,084,885
Less amounts not available to be used within one year:		
Contributions restricted – purpose restrictions		<u>(328,871)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$8,756,014</u>

**Note 14 - Subsequent Events**

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through October 18, 2021, the date the financial statements were available to be issued. No events 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.

**Note 15 - Other Matters**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the School operates. As of the date of these financial statements, many of the travel restrictions and stay at home orders have been lifted; however, supply chains remain impacted. Management continues to monitor the outbreak; however, as of the date of these financial statements, the potential impact 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, 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, and have issued our report thereon dated October 18, 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 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 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.

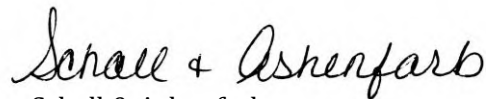
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

  
Schall & Ashenfarb  
Certified Public Accountants, LLC

October 18, 2021

**CENTRAL QUEENS ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2021**

Current Year:

None

Prior-Year:

None