



CENTRAL QUEENS ACADEMY
CHARTER SCHOOL

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

June 30, 2015

INDEPENDENT AUDITORS' 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 (the "School"), which comprise the statement of financial position as of June 30, 2015, 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.

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

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

Opinion


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Queens Academy Charter School as of June 30, 2015, 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 Central Queens Academy Charter School's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2015 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 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 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 5, 2015

CENTRAL QUEENS ACADEMY CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2015
(With comparative totals at June 30, 2014)

	<u>6/30/15</u>	<u>6/30/14</u>
Assets		
Cash and cash equivalents	\$1,012,174	\$357,216
Restricted cash (Note 3)	75,691	50,445
Pledges receivable (Note 4)	101,000	198,000
Grants receivable - New York City (Note 5)	0	1,517
Government grants receivable	81,480	69,574
Prepaid expenses	20,863	69,172
Security deposit	112,180	112,180
Fixed assets, net (Note 6)	<u>666,849</u>	<u>323,781</u>
Total assets	<u><u>\$2,070,237</u></u>	<u><u>\$1,181,885</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$657,079	\$496,575
Deferred rent	122,792	20,229
Deferred revenue (Note 5)	<u>18,092</u>	<u>0</u>
Total liabilities	<u>797,963</u>	<u>516,804</u>
Net Assets:		
Unrestricted	1,162,274	467,081
Temporarily restricted (Note 7)	<u>110,000</u>	<u>198,000</u>
Total net assets	<u>1,272,274</u>	<u>665,081</u>
Total liabilities and net assets	<u><u>\$2,070,237</u></u>	<u><u>\$1,181,885</u></u>

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

CENTRAL QUEENS ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(With comparative totals for the year ended June 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 6/30/15</u>	<u>Total 6/30/14</u>
Public Support and Revenue:				
Public school district: (Notes 2g)				
Revenue - resident student enrollment	\$4,179,942		\$4,179,942	\$2,880,534
Revenue - students with special education services	601,940		601,940	296,341
Subtotal public school district	4,781,882		4,781,882	3,176,875
Government grants				
Federal	159,891		159,891	251,506
State	462,246		462,246	0
Subtotal government grants	622,137		622,137	251,506
Contributions	148,587	\$10,000	158,587	125,713
Special event (net of direct expenses) (Note 8)	241,460		241,460	71,721
Donated services	67,123		67,123	213,719
Interest income	1,450		1,450	1,780
Miscellaneous income	10,596		10,596	
Release from restriction	98,000	(98,000)	0	0
Total public support and revenue	5,971,235	(88,000)	5,883,235	3,841,314
Expenses:				
Program services:				
Regular education	3,937,865		3,937,865	3,026,176
Special education	512,464		512,464	202,344
Total program services	4,450,329	0	4,450,329	3,228,520
Supporting services:				
Management and general	682,070		682,070	910,303
Fundraising	143,643		143,643	120,822
Total expenses	5,276,042	0	5,276,042	4,259,645
Change in net assets	695,193	(88,000)	607,193	(418,331)
Net assets - beginning	467,081	198,000	665,081	1,083,412
Net assets - ending	\$1,162,274	\$110,000	\$1,272,274	\$665,081

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

CENTRAL QUEENS ACADEMY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(With comparative totals for the year ended June 30, 2014)

	Program Services			Supporting Services		Total Expenses 6/30/15	Total Expenses 6/30/14
	Regular Education	Special Education	Total	Management and General	Fundraising		
Salaries	\$2,139,748	\$298,634	\$2,438,382	\$329,070	\$83,670	\$2,851,122	\$2,118,145
Employee benefits and payroll taxes	375,467	51,249	426,716	54,465	7,719	488,900	369,808
Total personnel costs	2,515,215	349,883	2,865,098	383,535	91,389	3,340,022	2,487,953
Professional fees	150,848	16,749	167,597	35,762	2,522	205,881	277,834
In-kind professional fees			0	67,123		67,123	213,719
Occupancy	721,025	98,415	819,440	104,592	14,824	938,856	516,109
Repairs and maintenance	14,339	1,957	16,296	2,080	295	18,671	10,663
Insurance			0	37,524		37,524	25,715
Utilities	42,418	5,790	48,208	6,153	872	55,233	31,686
Curriculum and classroom expenses	112,636		112,636			112,636	201,344
Classroom supplies and materials	88,161		88,161			88,161	105,658
Equipment	25,044	3,418	28,462	3,633	515	32,610	14,814
Professional development	9,060	1,038	10,098	5,756	156	16,010	96,159
Student and staff recruitment	14,212	1,940	16,152	2,062	27,748	45,962	22,869
Information technology	21,348	2,914	24,262	3,097	438	27,797	25,550
Food services	2,759		2,759			2,759	15,336
Office expenses	15,086	2,060	17,146	2,189	310	19,645	33,331
Communications	16,118	2,200	18,318	2,338	331	20,987	9,721
Travel and meals	286	39	325	41	6	372	1,562
Miscellaneous	17,547	2,617	20,164	1,269	706	22,139	17,760
Depreciation	171,763	23,444	195,207	24,916	3,531	223,654	151,862
Total other than personnel costs	1,422,650	162,581	1,585,231	298,535	52,254	1,936,020	1,771,692
Total expenses	<u>\$3,937,865</u>	<u>\$512,464</u>	<u>\$4,450,329</u>	<u>\$682,070</u>	<u>\$143,643</u>	<u>\$5,276,042</u>	<u>\$4,259,645</u>

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

CENTRAL QUEENS ACADEMY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(With comparative totals for the year ended June 30, 2014)

	<u>6/30/15</u>	<u>6/30/14</u>
Cash Flows from Operating Activities:		
Change in net assets	\$607,193	(\$418,331)
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation expense	223,654	151,862
Changes in assets and liabilities:		
Restricted cash	(25,246)	(25,243)
Pledges receivable	97,000	115,451
Grant receivable - New York City	1,517	(1,517)
Government grants receivable	(11,906)	49,762
Prepaid expenses	48,309	(47,540)
Security deposit	0	(52,180)
Accounts payable and accrued expenses	160,504	128,598
Deferred rent	102,563	1,555
Deferred revenue	18,092	0
Total adjustments	<u>614,487</u>	<u>320,748</u>
Net cash provided by/(used for) operating activities	<u>1,221,680</u>	<u>(97,583)</u>
Cash Flows from Investing Activities:		
Purchases of fixed assets	<u>(566,722)</u>	<u>(141,579)</u>
Net cash used for investing activities	<u>(566,722)</u>	<u>(141,579)</u>
Net increase/(decrease) in cash and cash equivalents	654,958	(239,162)
Cash and cash equivalents - beginning	<u>357,216</u>	<u>596,378</u>
Cash and cash equivalents - ending	<u><u>\$1,012,174</u></u>	<u><u>\$357,216</u></u>
Supplemental disclosures:		
Interest paid - \$0		
Taxes paid - \$0		

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

CENTRAL QUEENS ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Organization and Nature of Activities

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

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

The School 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 Presentation

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

The School's net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted* – represent those resources for which there are no restrictions by donors as to their use.
- *Temporarily restricted* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor. Temporarily restricted contributions, the requirements of which are met in the year of donation, are reported as unrestricted.

b. 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.

c. 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 points 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.

d. 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 pre-defined amounts that have a useful life of more than one year. Depreciation was computed using the straight-line method over the estimated useful lives of the respective assets, which generally are between 3 and 5 years.

e. 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.

f. Contributions

Contributions are recorded as revenue at the earlier of the receipt of cash or when pledges are considered unconditional in nature. Contributions are available for unrestricted use, unless specifically restricted by the donor, in which case they are recorded in one of the restricted classes of net assets, depending on the nature of the restriction.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value using a risk adjusted discount rate. Conditional contributions received are recorded as liabilities and are recognized as income when the conditions have been substantially met.

g. Revenue

Program revenue is recognized based on rates established by the School's funding sources and the amount realizable on the accrual basis in the period during which services are provided.

The terms of each government grant are reviewed to determine if they contain traits more closely associated with contributions or exchange transactions. Management has determined that all existing government grants are exchange transactions because they contain traits more similar to contracts for service. The difference between revenue recognized and cash received is reflected as government grants receivable or refundable advances.

h. Donated Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind. The School received in-kind professional legal services that were valued at \$67,123 and \$158,719 for the years ended June 30, 2015 and June 30, 2014, respectively. In addition, \$55,000 in in-kind consulting services was recognized for the year ended June 30, 2014.

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

i. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

j. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

k. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the School's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

l. Accounting for Uncertainty in Income Taxes

The School does not believe its financial statements include any material, uncertain tax positions. The first tax filing period was for the year ended June 30, 2012 and this filing plus all tax filing done later are subject to examination by applicable taxing authorities.

m. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through October 5, 2015, 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 3 - Restricted Cash

An escrow account has been established to meet the requirement of 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 4 - Pledges Receivable

At June 30, 2015, all pledges receivable are due within one year.

Note 5 - Grants Receivable/Deferred Revenue

Grants receivable and advances payable on the contract with New York City Department of Education can be summarized as follows:

	<u>6/30/15</u>	<u>6/30/14</u>
Beginning grant receivable	\$1,517	\$0
Funding based on allowable FTE's	4,781,882	3,176,875
Advances received	(4,788,737)	(3,175,358)
Rental assistance grant	262,246	0
Payments received	<u>(275,000)</u>	<u>0</u>
Ending grant (advance)/receivable	<u>(\$18,092)</u>	<u>\$1,517</u>

Note 6 - Fixed Assets

Fixed assets can be summarized as follows:

	<u>6/30/15</u>	<u>6/30/14</u>
Leasehold improvements	\$776,640	\$313,831
Furniture and equipment	<u>358,417</u>	<u>254,504</u>
Total fixed assets - cost	1,135,057	568,335
Less: accumulated depreciation	<u>(468,208)</u>	<u>(244,554)</u>
Total fixed assets - net	<u>\$666,849</u>	<u>\$323,781</u>

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets are summarized as follows:

<u>June 30, 2015</u>				
	Balance <u>7/1/14</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Balance <u>6/30/15</u>
Art programs	\$0	\$10,000	(\$0)	\$10,000
Time restrictions	<u>198,000</u>	<u>0</u>	<u>(98,000)</u>	<u>100,000</u>
Total	<u>\$198,000</u>	<u>\$10,000</u>	<u>(\$98,000)</u>	<u>\$110,000</u>
<u>June 30, 2014</u>				
	Balance <u>7/1/13</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Balance <u>6/30/14</u>
Total time restrictions	<u>\$295,100</u>	<u>\$0</u>	<u>(\$97,100)</u>	<u>\$198,000</u>

Note 8 - Special Events

Special events can be summarized is as follows:

	<u>June 30, 2015</u>		
	Museum of Chinese in <u>America</u>	<u>BINGO</u>	<u>Total</u>
Gross revenue	\$88,041	\$204,150	\$292,191
Less: direct expenses to donors	<u>(10,100)</u>	<u>(40,631)</u>	<u>(50,731)</u>
Net	77,941	163,519	241,460
Less: other expenses	<u>(2,752)</u>	<u>(24,705)</u>	<u>(27,457)</u>
Total	<u>\$75,189</u>	<u>\$138,814</u>	<u>\$214,003</u>

June 30, 2014

	Fall Fundraising <u>Event</u>
Gross revenue	\$76,624
Less: direct expenses to donor	<u>(4,903)</u>
Net	71,721
Less: other expenses	<u>(1,944)</u>
Total	<u>\$69,777</u>

Note 9 - Significant Concentrations

The School is dependent upon grants from New York City Department of Education ("NYCDOE") to carry out its operations. For the year ended June 30, 2015 and 2014 approximately 87% and 88%, respectively, of the School's total public support and revenue was realized from NYCDOE.

Note 10 - Commitments and ContingenciesGovernment 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. On January 21, 2015 a lease amendment was signed extending the term of the agreement through July 15, 2018. Future minimum lease payments are as follows:

For the year-ended:	June 30, 2016	\$426,164
	June 30, 2017	393,382
	June 30, 2018	393,382
	June 30, 2019	<u>16,391</u>
		<u>\$1,229,318</u>

On May 5, 2014, the School entered into a second operating lease for additional classroom and administrative space that expires in July 15, 2019. The lease term began on July 1, 2014 and future minimum lease payments are as follows:

For the year-ended:	June 30, 2016	\$325,000
	June 30, 2017	425,000
	June 30, 2018	425,000
	June 30, 2019	455,000
	June 30, 2020	<u>18,750</u>
		<u>\$1,643,750</u>

Note 11 - 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 program. During the year June 30, 2015 and 2014 the School contributed \$63,251 and \$39,927 to the plan, respectively.



**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 Directors of
Central Queens Academy Charter School

Report on the Financial Statements

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, 2015, 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 5, 2015.

Internal Control over Financial Reporting

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

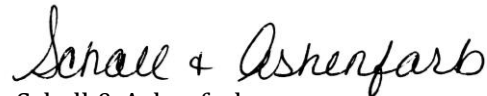
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 5, 2015

**CENTRAL QUEENS ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2015**

Current Year:

None

Prior-Year:

None