

**CENTRAL QUEENS ACADEMY  
CHARTER SCHOOL**

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

**June 30, 2014**

# CENTRAL QUEENS ACADEMY CHARTER SCHOOL

## Table of Contents

	<u>Page</u>
Independent Auditors' 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 – 11
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>	12 – 13
Schedule of Findings and Responses	14

## **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, 2014, 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.

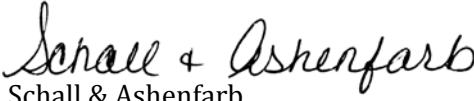
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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, 2014, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2014 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

September 29, 2014

**CENTRAL QUEENS ACADEMY CHARTER SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2014**

**Assets**

Cash and cash equivalents (Notes 2b and 2c)	\$357,216
Restricted cash (Note 3)	50,445
Pledges receivable (Note 2f and 4)	198,000
Grants receivable - New York City (Note 5)	1,517
Government grants receivable (Note 2g)	69,574
Prepaid expenses	69,172
Security deposit	112,180
Fixed assets, net (Notes 2d and 6)	<u>323,781</u>
 Total assets	 <u><u>\$1,181,885</u></u>

**Liabilities and Net Assets**

**Liabilities:**

Accounts payable and accrued expenses	\$496,575
Deferred rent (Note 2e)	<u>20,229</u>
 Total liabilities	 <u>516,804</u>

**Net Assets: (Note 2b)**

Unrestricted	467,081
Temporarily restricted (Note 7)	<u>198,000</u>
 Total net assets	 <u>665,081</u>
 Total liabilities and net assets	 <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, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Public Support and Revenue:</b>			
Public school district: (Notes 2g)			
Revenue - resident student enrollment	\$2,880,534		\$2,880,534
Revenue - students with special education services	296,341		296,341
Subtotal public school district	3,176,875		3,176,875
Government grants			
Federal	251,506		251,506
State	0		0
Subtotal government grants	251,506		251,506
Contributions	125,713		125,713
Special event (net of direct expenses) (Note 8)	71,721		71,721
Donated services (Note 2h)	213,719		213,719
Interest income	1,780		1,780
Release from restriction	97,100	(97,100)	0
Total public support and revenue	3,938,414	(97,100)	3,841,314
<b>Expenses:</b>			
Program services:			
Regular education	3,026,176		3,026,176
Special education	202,344		202,344
Total program services	3,228,520	0	3,228,520
Supporting services:			
Management and general	910,303		910,303
Fundraising	120,822		120,822
Total expenses	4,259,645	0	4,259,645
Change in net assets	(321,231)	(97,100)	(418,331)
Net assets - beginning	788,312	295,100	1,083,412
Net assets - ending	<u>\$467,081</u>	<u>\$198,000</u>	<u>\$665,081</u>

*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, 2014**

	Program Services			Supporting Services		
	Regular Education	Special Education	Total	Management and General	Fundraising	Total Expenses
Salaries	\$1,613,005	\$120,692	\$1,733,697	\$357,336	\$27,112	\$2,118,145
Employee benefits and payroll taxes	281,055	22,188	303,243	62,867	3,698	369,808
Total personnel costs	1,894,060	142,880	2,036,940	420,203	30,810	2,487,953
Professional fees	124,283	559	124,842	79,539	73,453	277,834
In-kind professional fees (Note 2h)			0	213,719		213,719
Occupancy	407,595	26,467	434,062	79,401	2,646	516,109
Repairs and maintenance	8,421	547	8,968	1,640	55	10,663
Insurance			0	25,715		25,715
Utilities	25,024	1,625	26,649	4,875	162	31,686
Curriculum and classroom expenses	201,344		201,344			201,344
Classroom supplies and materials	95,091	10,567	105,658			105,658
Equipment	11,699	760	12,459	2,279	76	14,814
Professional development	67,979	7,553	75,532	20,627		96,159
Student and staff recruitment			0	11,387	11,482	22,869
Information technology	20,179	1,310	21,489	3,931	130	25,550
Food services	15,336		15,336			15,336
Office expenses	26,323	1,709	28,032	5,128	171	33,331
Communications	7,677	499	8,176	1,496	49	9,721
Travel and meals	1,233	80	1,313	240	9	1,562
Miscellaneous			0	16,760	1,000	17,760
Depreciation	119,932	7,788	127,720	23,363	779	151,862
Total other than personnel costs	1,132,116	59,464	1,191,580	490,100	90,012	1,771,692
Total expenses	\$3,026,176	\$202,344	\$3,228,520	\$910,303	\$120,822	\$4,259,645

*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, 2014**

**Cash Flows from Operating Activities:**

Change in net assets	(\$418,331)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	151,862
(Increase) in assets:	
Restricted cash	(25,243)
Pledges receivable	115,451
Grant receivable - New York City	(1,517)
Government grants receivable	49,762
Prepaid expenses	(47,540)
Security deposit	(52,180)
Increase in liabilities:	
Accounts payable and accrued expenses	128,598
Deferred rent	1,555
Total adjustments	<u>320,748</u>
Net cash used for operating activities	<u>(97,583)</u>

**Cash Flows from Investing Activities:**

Purchases of fixed assets	<u>(141,579)</u>
Net cash used for investing activities	<u>(141,579)</u>
Net decrease in cash and cash equivalents	(239,162)
Cash and cash equivalents - beginning	<u>596,378</u>
Cash and cash equivalents - ending	<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, 2014**

**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. It's 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. All significant receivables, payables and other liabilities have been reflected.

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.
- *Permanently restricted* – accounts for activity restricted by donors that must remain intact in perpetuity. The School did not have any permanently restricted net assets at June 30, 2014.

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 considered 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 their 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. Revenues

Program revenues are 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 valued at \$158,719 as well as \$55,000 in in-kind consulting services 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 statements of activities and functional expenses. 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. 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.

l. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through September 29, 2014, 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**

Pledges are due in the following periods:

Year ended: June 30, 2015	\$100,000
June 30, 2016	<u>100,000</u>
	200,000
Less: adjustment to fair value	<u>(2,000)</u>
Total	<u>\$198,000</u>

**Note 5 – Grants Receivable – New York City Department of Education**

Funding based on allowable FTE's	\$3,176,875
Advances received	<u>(3,175,358)</u>
Ending grants receivable	<u>\$1,517</u>

**Note 6 – Fixed Assets**

At June 30, 2014, fixed assets consist of the following:

Leasehold improvements	\$313,831
Furniture and equipment	<u>254,504</u>
Total fixed assets - cost	568,335
Less: accumulated depreciation	<u>(244,554)</u>
Total fixed assets - net	<u>\$323,781</u>

**Note 7 – Temporarily Restricted Net Assets**

At June 30, 2014, temporarily restricted net assets consisted of pledges receivable that are time restricted to the period in which the pledge is expected to be received.

**Note 8 – Special Event**

Gross revenue	\$76,624
Less: expenses where donor received direct benefits	<u>(4,903)</u>
Net	71,721
Less: indirect 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, 2014 approximately 88% of the School's total public support and revenue was realized from NYCDOE.

## **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 for this. 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 expires in February 2016. Future minimum lease payments are as follows:

For the year-ended:	June 30, 2015	\$385,744
	June 30, 2016	<u>262,256</u>
		<u>\$648,000</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 begins on July 1, 2014 and future minimum lease payments are as follows:

For the year-ended:	June 30, 2015	\$275,000
	June 30, 2016	325,000
	June 30, 2017	425,000
	June 30, 2018	425,000
	June 30, 2019	450,000
	June 30, 2020	<u>18,750</u>
		<u>\$1,918,750</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, 2014 the School contributed \$39,927 to the plan.

**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, 2014, 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 September 29, 2014.

**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.

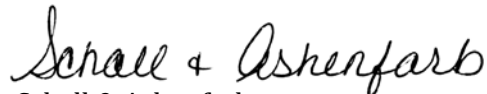
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during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

## **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 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

September 29, 2014

**CENTRAL QUEENS ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2014**

Current Year:

None

Prior-Year:

None