



**CENTRAL QUEENS ACADEMY  
CHARTER SCHOOL**

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

**June 30, 2022**

# CENTRAL QUEENS ACADEMY CHARTER SCHOOL

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## **Independent Auditors' Report**

To the Board of Directors of  
Central Queens Academy Charter School

### ***Report on the Audit of the Financial Statements***

#### ***Opinion***

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Central Queens Academy Charter School as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.


We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Report on Summarized Comparative Information***

We have previously audited the School's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 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 17, 2022, 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 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 the School's internal control over financial reporting and compliance



Schall & Ashenfarb  
Certified Public Accountants, LLC

October 17, 2022

**CENTRAL QUEENS ACADEMY CHARTER SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2022**  
(With comparative totals at June 30, 2021)

	<u>6/30/22</u>	<u>6/30/21</u>
<b>Assets</b>		
Cash and cash equivalents	\$10,773,047	\$8,707,383
Government grants receivable - rental assistance	18,632	0
Government grants receivable - other	420,175	269,843
Pledges receivable, net (Note 3)	404,857	107,659
Prepaid expenses	167,801	215,813
Security deposit	1,716,520	1,708,560
Fixed assets, net (Note 4)	825,039	485,739
Restricted cash (Note 5)	79,515	79,389
	<u>\$14,405,586</u>	<u>\$11,574,386</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$1,573,744	\$1,013,697
Due to related entity	33,162	0
Government grant advances - per pupil (Note 6)	3,334	5,974
Government grant advances - rental assistance	0	34,212
Government grant advances - other	64,544	0
Deferred rent	0	39,026
Capital lease payable (Note 11)	43,506	0
Total liabilities	<u>1,718,290</u>	<u>1,092,909</u>
Net assets:		
Without donor restrictions	12,312,163	10,102,606
With donor restrictions (Note 9)	375,133	378,871
Total net assets	<u>12,687,296</u>	<u>10,481,477</u>
Total liabilities and net assets	<u>\$14,405,586</u>	<u>\$11,574,386</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, 2022**  
(With comparative totals for the year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 6/30/22	Total 6/30/21
Public support and revenue:				
Public school district revenue: (Note 2c)				
Resident student enrollment	\$8,251,876		\$8,251,876	\$6,406,877
Students with disabilities	617,316		617,316	569,866
Subtotal public school district revenue	<u>8,869,192</u>	<u>0</u>	<u>8,869,192</u>	<u>6,976,743</u>
Government grants:				
Paycheck Protection Program (Note 8)			0	1,024,182
Federal	694,323		694,323	427,567
New York City rental assistance (Note 7)	1,275,828		1,275,828	654,905
Subtotal government grants	<u>1,970,151</u>	<u>0</u>	<u>1,970,151</u>	<u>2,106,654</u>
Contributions	797,873	\$474,800	1,272,673	813,228
Donated services (Note 2i)	70,141		70,141	232,961
Interest income	20,445		20,445	53,770
Other income	42,964		42,964	10,079
Released from restriction	478,538	(478,538)	0	0
Total public support and revenue	<u>12,249,304</u>	<u>(3,738)</u>	<u>12,245,566</u>	<u>10,193,435</u>
Expenses:				
Program services:				
Regular education	7,194,828		7,194,828	5,372,247
Special education	1,190,974		1,190,974	984,519
Total program services	<u>8,385,802</u>	<u>0</u>	<u>8,385,802</u>	<u>6,356,766</u>
Supporting services:				
Management and general	1,259,529		1,259,529	1,602,052
Fundraising	394,416		394,416	393,038
Total supporting services	<u>1,653,945</u>	<u>0</u>	<u>1,653,945</u>	<u>1,995,090</u>
Total expenses	<u>10,039,747</u>	<u>0</u>	<u>10,039,747</u>	<u>8,351,856</u>
Change in net assets from operations	2,209,557	(3,738)	2,205,819	1,841,579
Non-operating activities				
Lease termination fee (Note 12)			0	500,000
Loss on impairment of fixed assets (Note 12)			0	(337,708)
Return of grant funds			0	(280,000)
Change in net assets	2,209,557	(3,738)	2,205,819	1,723,871
Net assets - beginning of year	<u>10,102,606</u>	<u>378,871</u>	<u>10,481,477</u>	<u>8,757,606</u>
Net assets - ending of year	<u>\$12,312,163</u>	<u>\$375,133</u>	<u>\$12,687,296</u>	<u>\$10,481,477</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, 2022**  
(With comparative totals for the year ended June 30, 2021)

	Program Services			Supporting Services				
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 6/30/22	Total Expenses 6/30/21*
Salaries:								
Instructional personnel	\$2,848,838	\$483,498	\$3,332,336			\$0	\$3,332,336	\$2,626,629
Non-instructional personnel	1,224,144	248,736	1,472,880	\$581,416	\$284,068	865,484	2,338,364	2,217,912
Additional compensation	175,568	27,986	203,554	20,336	6,293	26,629	230,183	117,077
Total salaries	4,248,550	760,220	5,008,770	601,752	290,361	892,113	5,900,883	4,961,618
Employee benefits and payroll taxes	809,088	128,972	938,060	93,714	29,000	122,714	1,060,774	835,018
Total personnel costs	5,057,638	889,192	5,946,830	695,466	319,361	1,014,827	6,961,657	5,796,636
Professional fees	82,374	13,131	95,505	57,198	2,952	60,150	155,655	300,048
In-kind professional fees (Note 2i)			0	70,141		70,141	70,141	232,961
Occupancy	1,449,431	231,045	1,680,476	342,883	51,951	394,834	2,075,310	1,236,408
Repairs and maintenance	6,768	1,079	7,847	784	243	1,027	8,874	13,164
Insurance	51,303	8,178	59,481	5,942	1,839	7,781	67,262	67,775
Utilities	42,533	6,780	49,313	4,926	1,524	6,450	55,763	18,775
Curriculum and classroom expenses	60,099		60,099			0	60,099	5,950
Classroom supplies and materials	168,118		168,118			0	168,118	52,372
Equipment	22,782	3,632	26,414	2,639	817	3,456	29,870	32,294
Professional development	23,694	1,260	24,954	1,291	283	1,574	26,528	10,637
Student and staff recruitment	57,593	9,180	66,773	6,671	9,264	15,935	82,708	100,291
Information technology	67,533	10,765	78,298	7,822	2,421	10,243	88,541	45,653
Office expenses	14,440	2,302	16,742	1,673	517	2,190	18,932	4,141
Communications	9,707	1,547	11,254	1,124	348	1,472	12,726	17,442
Miscellaneous	1,578	252	1,830	51,791	56	51,847	53,677	6,068
Depreciation	79,237	12,631	91,868	9,178	2,840	12,018	103,886	51,241
Bad debt expense			0			0	0	360,000
Total expenses	<u>\$7,194,828</u>	<u>\$1,190,974</u>	<u>\$8,385,802</u>	<u>\$1,259,529</u>	<u>\$394,416</u>	<u>\$1,653,945</u>	<u>\$10,039,747</u>	<u>\$8,351,856</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, 2022**  
(With comparative totals for the year ended June 30, 2021)

	<u>6/30/22</u>	<u>6/30/21</u>
Cash flows from operating activities:		
Change in net assets	\$2,205,819	\$1,723,871
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	103,886	51,241
Loss on impairment of fixed assets	0	337,708
Bad debt expense	0	360,000
Changes in assets and liabilities:		
Government grants receivable - per pupil	0	32,643
Government grants receivable - rental assistance	(18,632)	0
Government grants receivable - other	(150,332)	93,211
Pledges receivable	(297,198)	282
Other receivables	0	3,041
Prepaid expenses	48,012	(63,061)
Security deposit	(7,960)	(587,500)
Accounts payable and accrued expenses	560,047	(87,269)
Due to related entity	33,162	0
Government grant advances - per pupil	(2,640)	5,974
Government grant advances - rental assistance	(34,212)	23,636
Government grant advances - other	64,544	0
Deferred rent	(39,026)	1,453
Government grant - Paycheck Protection Program	0	(1,024,182)
Total adjustments	<u>259,651</u>	<u>(852,823)</u>
Net cash flows provided by operating activities	<u>2,465,470</u>	<u>871,048</u>
Cash flows from investing activities:		
Purchases of fixed assets	<u>(399,680)</u>	<u>(477,413)</u>
Net cash flows used for investing activities	<u>(399,680)</u>	<u>(477,413)</u>
Cash flows from financing activities:		
Principal payments on capital lease payable	<u>(16,990)</u>	<u>(477,413)</u>
Net cash flows used for investing activities	<u>(16,990)</u>	<u>(477,413)</u>
Net increase in cash and cash equivalents	2,065,790	393,635
Cash, cash equivalents and restricted cash - beginning of year	<u>8,786,772</u>	<u>8,393,137</u>
Cash, cash equivalents and restricted cash - ending of year	<u><u>\$10,852,562</u></u>	<u><u>\$8,786,772</u></u>
Supplemental disclosures:		
Reconciliation of cash and restricted cash to the statement of financial position:		
Cash and cash equivalents	\$10,773,047	\$8,707,383
Restricted cash	79,515	79,389
Total	<u><u>\$10,852,562</u></u>	<u><u>\$8,786,772</u></u>
Noncash financing activities:		
Equipment purchased under capital lease	<u><u>\$63,000</u></u>	<u><u>\$0</u></u>

*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, 2022**

**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 Codification ("ASC") 958-605 for recording contributions, which are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction.

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 were received, they are classified as without donor restrictions.

Contributions expected to be received within one year are recorded at net realizable value. Long term pledges are recorded at fair value, using risk – adjusted present value techniques.

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 \$137,970 and \$496,538 at June 30, 2022 and 2021, respectively and are contingent upon the School meeting certain performance or fundraising milestones.

The School's public-school district revenue and other government grants are primarily conditional, non-exchange transactions as defined above. 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 determined that at June 30, 2021 a pledge in the amount of \$870,000 was not collectable. A reserve of \$510,000 was established in 2020 and the remaining \$360,000 was written off and charged to bad debt expense during 2021. No allowance was determined to be necessary at June 30, 2022.

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. Cash maintained in escrow per requirements of NYCDOE are treated as restricted cash.

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 or the life of the lease.

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 \$70,141 and \$232,961 for the years ended June 30, 2022 and 2021, respectively. Donated legal services, which are included in management and general on the statement of functional expenses, are valued at the standard hourly rates charged for those services.

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. Advertising

The cost of advertising is expensed as incurred.

l. Related Party Transactions

The School is related to a separate entity, Friends of Central Queens Academy Charter School ("FCQACS") through common board members. See Notes 7 and 11 for a description of various transactions with this related entity.

m. 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.

n. Summarized 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, 2021, from which the summarized information was derived.

o. 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, 2019 and later are subject to examination by applicable taxing authorities.

p. New Accounting Pronouncements

FASB issued Accounting Standards Update ("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 this standard will have on future financial statements.

**Note 3 - Pledges Receivable**

Pledges receivable are due in the following periods:

Year ending: June 30, 2023	\$192,857
June 30, 2024	75,000
June 30, 2025	75,000
June 30, 2026	<u>75,000</u>
	417,857
Less: discount to fair value (3.14%)	<u>(13,000)</u>
Total	<u>\$404,857</u>

**Note 4 - Fixed Assets**

Fixed assets can be summarized as follows:

	<u>6/30/22</u>	<u>6/30/21</u>
Leasehold improvements – <i>(life of lease)</i>	\$1,433,274	\$866,740
Construction in progress	0	366,742
Furniture and equipment <i>(3-5 years)</i>	<u>877,312</u>	<u>633,918</u>
	2,310,586	1,867,400
Less: accumulated depreciation	<u>(1,485,547)</u>	<u>(1,381,661)</u>
Total fixed assets - net	<u>\$825,039</u>	<u>\$485,739</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 - Government Grants Advances - Per Pupil**

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

	<u>6/30/22</u>	<u>6/30/21</u>
Beginning grant (advance)/receivable	(\$5,974)	\$32,643
Recognition/(collection) of PY balance	5,974	(32,643)
Funding based on allowable FTE’s	8,869,192	6,976,743
Advances received	<u>(8,872,526)</u>	<u>(6,982,717)</u>
Ending grant advances – per pupil	<u>(\$3,334)</u>	<u>(\$5,974)</u>

**Note 7 - Government Grants Advances – Rental Assistance**

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 years ended June 30, 2022 and 2021, included in the total revenue recognized was \$980,163 and \$654,905, respectively, as a subsidy for payments made to FCQACS, a related party (See Note 21), under sublease agreements referred to in Note 11.

**Note 8 - Paycheck Protection Program**

During the year ended June 30, 2020, the School obtained a loan from the Small Business Administration ("SBA") in the amount of \$1,024,182 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. The School accounted for the PPP loan in accordance with FASB ASC 958-605 as a conditional contribution. The School met all of the conditions of this loan during 2021 and the loan was recognized as revenue. Full forgiveness was approved by the SBA during the year ended June 30, 2021.

**Note 9 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are summarized as follows:

	June 30, 2022			
	Balance <u>7/1/21</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Balance <u>6/30/22</u>
Programs:				
Technology/smartboards	\$3,871	\$20,000	(\$3,871)	\$20,000
Chromebooks & after school programming	0	117,800	(65,981)	51,819
Elementary school operations	325,000	0	(325,000)	0
Elementary school social worker	0	50,000	(33,686)	16,314
Time restrictions	<u>50,000</u>	<u>287,000</u>	<u>(50,000)</u>	<u>287,000</u>
Total	<u>\$378,871</u>	<u>\$474,800</u>	<u>(\$478,538)</u>	<u>\$375,133</u>
	June 30, 2021			
	Balance <u>7/1/20</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Balance <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>

**Note 10 - Significant Concentrations**

The School is dependent upon grants from NYCDOE to carry out its operations. Approximately 83% and 77% of the School's total public support and revenue was from NYCDOE for the years ended June 30, 2022 and 2021, respectively. Reductions in funding from the NYCDOE could significantly impact the School's results of operations.

## Note 11 - 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.

### Rental Lease Commitments

The School had entered into two leases for middle school classroom space and administrative offices both of which were originally set to expire on July 15, 2015, however, subsequent amendments extended the terms to July 15, 2022. One of these leases was with FCQACS.

In January 2021, the School entered into a third lease agreement for temporary elementary classroom and administrative space. The lease term ran for one year, with options to extend, and was set to expire on June 30, 2022. However, in January 2022 the School vacated the temporary space and moved the elementary school into the new space, described below on Justice Avenue, due to disagreements with the landlord. As a result, the landlord sought court action to receive the rest of the payments due under the terms of their original lease agreement. Subsequent to year end, in July 2022, the School reached a settlement agreement with the landlord where the School agreed to pay \$175,000 and relinquish their security deposit.

On January 5, 2021, the School entered into a fourth lease agreement for classroom and administrative space on Justice Avenue in Queens, New York with the intent that this space will house the entire school beginning with the 2022-2023 school year. At the same time, a fifth lease was entered into, with the same landlord, for school gymnasium space. These leases were assigned to FCQACS effective January 1, 2022. Under the terms of the assignment, the School remains the primary obligor and principal for the obligations and responsibilities under the original leases. The maximum potential amount that the School can be required to pay over the term of both leases is \$153,440,463. Subsequent to year end and effective July 1, 2022, the School entered into another sublease with FCQACS for the Justice Avenue space and gymnasium. The lease term is 30 years and expires June 30, 2053.

Future minimum lease payments total \$145,858,652 under the terms of this sublease. The School anticipates receiving New York City rental assistance revenue and resident student enrollment revenue in futures years to cover these lease payments.

Future minimum payments due under the terms of the leases are:

Year ending:	June 30, 2023	\$2,850,582
	June 30, 2024	3,300,674
	June 30, 2025	3,600,735
	June 30, 2026	3,600,735
	June 30, 2027	3,810,778
Thereafter		<u>128,695,148</u>
Total		<u>\$145,858,652</u>



#### Capital Lease Commitments

In October 2021, the School executed three capital lease agreements. All agreements run for 36 months and require monthly payments. Future minimum payments due under the terms of the leases are:

Year ending: June 30, 2023	\$20,388
June 30, 2024	20,388
June 30, 2025	<u>5,097</u>
	45,873
Present value discount (5.5%)	<u>(2,367)</u>
Total lease obligation	<u>\$43,506</u>

#### **Note 12 - 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 during the year ended June 30, 2021.

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

The School has a tax deferred annuity plan under IRS section 401(k) for all employees. Under the plan, employees may opt to defer a portion of their gross pay, having that portion of pay be invested in accordance with applicable federal and state guidelines governing deferred compensation programs. The School contributed \$107,298 and \$73,874 to the plan during the years ended June 30, 2022 and 2021, respectively.

#### **Note 14 - 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, 2022 that are available to meet cash needs for general expenditures within one year:

Cash and cash equivalents	\$10,773,047	
Government grants receivable – rental assistance	18,632	
Government grants receivable - other	420,175	
Pledges receivable – due within one year	<u>192,857</u>	
Total financial assets		\$11,404,711
Less amounts not available to be used within one year:		
Contributions restricted – purpose restrictions		<u>(88,133)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$11,316,578</u>

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

Subsequent events have been evaluated through October 17, 2022, the date the financial statements were available to be issued. All material events that have occurred that require adjustment to or disclosure to the financial statements have been made.

#### **Note 16 - 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 AUDITORS' 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, 2022, 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 17, 2022.

**Report on 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 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.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 17, 2022

**CENTRAL QUEENS ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2022**

Current Year:

None

Prior-Year:

None