

Central Queens Academy Charter School

Audited Financial Statements

In Accordance with *Government Auditing Standards*

June 30, 2023

Central Queens Academy Charter School

Audited Financial Statements

June 30, 2023

CONTENTS

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-16
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>	17-18
Schedule of Findings and Questioned Costs	19

Independent Auditor's Report

Board of Directors
Central Queens Academy Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Central Queens Academy Charter School (the "School"), which comprise the statement of financial position as of June 30, 2023, and the related statement 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 the School as of June 30, 2023, 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.

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 Auditor's 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 issued or available to be issued.

Auditor's 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 auditor's 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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

The financial statements of the School as of and for the year ended June 30, 2022, were audited by other auditors whose report dated October 17, 2022, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects with the audited financial statement from which it was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023, 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.

Sax CPAs LLP

New York, NY
October 16, 2023

Central Queens Academy Charter School

Statement of Financial Position

At June 30, 2023
(With comparative totals at June 30, 2022)

	June 30,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 15,129,029	\$ 10,773,047
Government grants receivable - per pupil funding	5,898	-
Government grants receivable - rental assistance	-	18,632
Government grants receivable - other	786,650	420,175
Pledges receivable, net	206,388	404,857
Prepaid expenses	359,871	167,801
Security deposit	1,517,492	1,716,520
Fixed assets, net	899,159	825,039
Right of use assets	85,837,790	-
Restricted cash	81,000	79,515
TOTAL ASSETS	\$ 104,823,277	\$ 14,405,586
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,750,454	\$ 1,573,744
Due to related entity	-	33,162
Government grant advances - per pupil funding	-	3,334
Government grant advances - other	-	64,544
Conditional contributions	111,650	-
Capital lease payable	-	43,506
Lease liabilities	88,717,185	-
Total liabilities	90,579,289	1,718,290
NET ASSETS		
Without donor restrictions	13,832,988	12,312,163
With donor restrictions	411,000	375,133
Total net assets	14,243,988	12,687,296
TOTAL LIABILITIES AND NET ASSETS	\$ 104,823,277	\$ 14,405,586

Central Queens Academy Charter School

Statement of Activities

For the year ended June 30, 2023
(With comparative totals for the year ended June 30, 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 6/30/2023</u>	<u>Total 6/30/2022</u>
PUBLIC SUPPORT AND REVENUE				
Public school district revenue:				
Resident student enrollment	\$ 12,367,394	\$ -	\$ 12,367,394	\$ 8,251,876
Students with disabilities	865,519	-	865,519	617,316
Total public school district revenue	13,232,913	-	13,232,913	8,869,192
Government grants:				
New York City rental assistance	2,575,871	-	2,575,871	1,275,828
Other government grants	1,992,283	-	1,992,283	694,323
Total government grants	4,568,154	-	4,568,154	1,970,151
Contributions	329,782	199,000	528,782	1,272,673
Special events	106,821	-	106,821	-
Donated services	38,872	-	38,872	70,141
Interest income	421,542	-	421,542	20,445
Other income	22,407	-	22,407	42,964
	919,424	199,000	1,118,424	1,406,223
NET ASSETS RELEASED FROM RESTRICTIONS				
Release from restriction	163,133	(163,133)	-	-
Total public support and revenue	18,883,624	35,867	18,919,491	12,245,566
EXPENSES				
Program services				
Regular education	13,009,544	-	13,009,544	7,194,828
Special education	1,895,511	-	1,895,511	1,190,974
Total program services	14,905,055	-	14,905,055	8,385,802
Supporting services				
Management and general	1,799,614	-	1,799,614	1,259,529
Fundraising	658,130	-	658,130	394,416
Total supporting services	2,457,744	-	2,457,744	1,653,945
Total expenses	17,362,799	-	17,362,799	10,039,747
Change in net assets	1,520,825	35,867	1,556,692	2,205,819
NET ASSETS, <i>beginning of year</i>	12,312,163	375,133	12,687,296	10,481,477
NET ASSETS, <i>end of year</i>	\$ 13,832,988	\$ 411,000	\$ 14,243,988	\$ 12,687,296

The attached notes and auditor's report are an integral part of these financial statements.

Central Queens Academy Charter School

Statement of Functional Expenses

For the year ended June 30, 2023
(With comparative totals for the year ended June 30, 2022)

	Program Services			Supporting Services			Total Expenses 6/30/2023	Total Expenses 6/30/2022
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries:								
Instructional personnel	\$ 4,385,850	\$ 594,141	\$ 4,979,991	\$ -	\$ -	\$ -	\$ 4,979,991	\$ 3,332,336
Non-instructional personnel	832,314	314,981	1,147,295	1,067,049	438,643	1,505,692	2,652,987	2,338,364
Additional compensation	67,749	9,632	77,381	6,638	-	6,638	84,019	230,182
Payroll taxes and employee benefits	1,180,843	159,401	1,340,244	109,859	31,431	141,290	1,481,534	1,060,775
Total personnel costs	6,466,756	1,078,155	7,544,911	1,183,546	470,074	1,653,620	9,198,531	6,961,657
Professional fees	190,938	25,339	216,277	48,149	4,996	53,145	269,422	155,656
In-kind professional fees	-	-	-	38,872	-	38,872	38,872	70,141
Occupancy	4,918,695	699,294	5,617,989	443,083	137,889	580,972	6,198,961	2,075,309
Repairs and maintenance	22,755	3,235	25,990	2,230	638	2,868	28,858	8,874
Insurance	58,077	8,257	66,334	5,691	1,628	7,319	73,653	67,262
Utilities	167,874	23,867	191,741	16,449	4,706	21,155	212,896	55,764
Curriculum and classroom expenses	651,915	-	651,915	-	-	-	651,915	60,099
Classroom supplies and materials	160,880	6,134	167,014	-	-	-	167,014	168,118
Equipment	25,455	6,518	31,973	4,492	1,285	5,777	37,750	29,869
Professional development	40,012	1,181	41,193	814	233	1,047	42,240	26,528
Student and staff recruitment	49,986	7,107	57,093	4,898	29,499	34,397	91,490	82,709
Information technology	62,917	8,945	71,862	6,165	1,764	7,929	79,791	88,541
Office expenses	13,591	1,932	15,523	1,332	381	1,713	17,236	18,932
Communications	9,622	1,368	10,990	943	270	1,213	12,203	12,726
Miscellaneous	3,511	499	4,010	6,098	57	6,155	10,165	53,676
Depreciation	166,560	23,680	190,240	36,852	4,710	41,562	231,802	103,886
Total other than personnel costs	6,542,788	817,356	7,360,144	616,068	188,056	804,124	8,164,268	3,078,090
Total expenses	\$ 13,009,544	\$ 1,895,511	\$ 14,905,055	\$ 1,799,614	\$ 658,130	\$ 2,457,744	\$ 17,362,799	\$ 10,039,747

The attached notes and auditor's report are an integral part of these financial statements.

Central Queens Academy Charter School

Statement of Cash Flows

For the year ended June 30, 2023
(With comparative totals for the year ended June 30, 2022)

	June 30,	
	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,556,692	\$ 2,205,819
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	231,802	103,886
Changes in assets and liabilities		
Government grants receivable - per pupil funding	(5,898)	-
Government grants receivable - rental assistance	18,632	(18,632)
Government grants receivable - other	(366,475)	(150,332)
Pledges receivable	198,469	(297,198)
Prepaid expenses	(192,070)	48,012
Security deposit	199,028	(7,960)
Accounts payable and accrued expenses	176,710	560,047
Due to related entity	(33,162)	33,162
Government grant advances - per pupil funding	(3,334)	(2,640)
Government grant advances - rental assistance	-	(34,212)
Government grant advances - other	(64,544)	64,544
Deferred revenue	111,650	-
Lease liability	2,879,395	-
Deferred rent	-	(39,026)
Cash flows provided by operating activities	<u>4,706,895</u>	<u>2,465,470</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(349,428)	(399,680)
Cash flows used for investing activities	<u>(349,428)</u>	<u>(399,680)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease payable	-	(16,990)
Cash flows used for financing activities	<u>-</u>	<u>(16,990)</u>
Net increase in cash, cash equivalents and restricted cash	4,357,467	2,065,790
Cash, cash equivalents and restricted cash, <i>beginning of year</i>	<u>10,852,562</u>	<u>8,786,772</u>
Cash, cash equivalents and restricted cash, <i>end of year</i>	<u>\$ 15,210,029</u>	<u>\$ 10,852,562</u>
Cash, cash equivalents and restricted cash		
Cash and cash equivalents	\$ 15,129,029	\$ 10,773,047
Restricted cash	81,000	79,515
Total cash, cash equivalents and restricted cash	<u>\$ 15,210,029</u>	<u>\$ 10,852,562</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Equipment purchased under capital lease	<u>\$ -</u>	<u>\$ 63,000</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

The attached notes and auditor's report are an integral part of these financial statements.

Page 6

Central Queens Academy Charter School

Notes to Financial Statements

June 30, 2023

Note 1 - 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 the following programs:

Regular Education – instruction provided to all students

Special Education – instruction that is specially designed to meet the unique needs of students with disabilities

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 - Summary of 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. Recently Adopted Accounting Standard

Effective July 1, 2022, the School adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The School elected not to restate the comparative period (year ended June 30, 2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. The School also elected the practical expedient to not separate lease and non-lease components for all leases. As a result of implementing FASB ASU No. 2016-02, the School recognized right-of-use ("ROU") assets of \$88,772,489 and lease liabilities of \$88,772,489 on the statement of financial position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

Central Queens Academy Charter School

Notes to Financial Statements

June 30, 2023

Note 2 - Summary of Significant Accounting Policies – Continued

c. Basis of Presentation

The School reports information regarding their financial position and activities according to the following classes of net assets:

- Net Assets Without Donor Restrictions - represents all activity without donor-imposed restrictions.
- Net Assets With Donor Restrictions - represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

d. Revenue Recognition

The School follows the requirements of the FASB's Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recognized at the time a contribution 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 \$0 and \$137,970 at June 30, 2023 and 2022, 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 knowledge of specific donors and factoring in historical experience, no allowance for doubtful accounts exists as of June 30, 2023 or 2022.

Central Queens Academy Charter School

Notes to Financial Statements

June 30, 2023

Note 2 - Summary of Significant Accounting Policies – Continued

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 the New York City Department of Education (“NYCDOE”) are treated as restricted cash.

f. Concentration of Credit Risk

Financial instruments, which potentially subject the School to a 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 the Federal Deposit Insurance Corporation (“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. Leases

The School determines if an arrangement is or contains a lease at inception. Leases are included in ROU assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The School does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option.

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 \$38,872 and \$70,141 for the years ended June 30, 2023 and 2022, 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.

Central Queens Academy Charter School

Notes to Financial Statements

June 30, 2023

Note 2 - Summary of Significant Accounting Policies – Continued

i. Donated Services - Continued

The School pays for most other services requiring specific expertise. Board members and other individuals volunteer their time, 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
- Payroll taxes and employee benefits
- 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 6 and 9 for a description of various transactions with this related entity.

Central Queens Academy Charter School

Notes to Financial Statements

June 30, 2023

Note 2 - Summary of Significant Accounting Policies – Continued

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, 2022, from which the summarized information was derived.

o. Accounting for Uncertainty of Income Taxes

The School does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2020 and later are subject to examination by applicable taxing authorities.

Note 3 - Government Grants Receivable/Advances - Per Pupil

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

	<u>6/30/23</u>	<u>6/30/22</u>
Beginning grants (advance) receivable	\$ (3,334)	\$ (5,974)
Recognition (collection) of prior year balance	3,334	5,974
Funding based on allowable FRE's	13,232,913	8,869,192
Advances received	<u>(13,227,015)</u>	<u>(8,872,526)</u>
Ending grant advances - per pupil	<u>\$ 5,898</u>	<u>\$ (3,334)</u>

Central Queens Academy Charter School

Notes to Financial Statements

June 30, 2023

Note 4 - Pledges Receivable

Pledges receivable are due in the following periods:

	6/30/23	6/30/22
For the years ending June 30,		
2023	\$ -	\$ 192,857
2024	63,388	75,000
2025	75,000	75,000
2026	75,000	75,000
	<u>213,388</u>	<u>417,857</u>
Less: discount to fair value (3.14%)	<u>(7,000)</u>	<u>(13,000)</u>
Total	<u>\$ 206,388</u>	<u>\$ 404,857</u>

Note 5 - Fixed Assets

Fixed assets can be summarized as follows:

	6/30/23	6/30/22
Leasehold improvements - (life of lease)	\$ 1,372,329	\$ 1,430,798
Construction in progress	22,506	-
Furniture and equipment (3-5 years)	<u>1,183,011</u>	<u>879,788</u>
Total	<u>2,577,845</u>	<u>2,310,586</u>
Less accumulated depreciation	<u>(1,678,688)</u>	<u>(1,485,549)</u>
Total fixed assets, net	<u>\$ 899,157</u>	<u>\$ 825,037</u>

Note 6 - Right-of-Use Assets and Lease Liabilities

The School evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent the School's right to use underlying assets for the lease term, and the lease liabilities represent the School's obligation to make lease payments arising from these leases.

The School occupies space in Queens, New York under a lease agreement with FCQACS (see Note 21) that expires on June 30, 2053. The lease does not include any extension options. The spaces covered by the lease, which includes class, administrative and gymnasium space, were initially separate leases with the landlord. The leases were then all assigned to FCQACS effective January 1, 2022 and the School entered into a sub-lease agreement with FCQACS commencing on July 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 \$143,033,554.

Additionally, the School has three leases for copier machines, all of which expire on September 30, 2024 and do not include an extension option.

Central Queens Academy Charter School

Notes to Financial Statements

June 30, 2023

Note 6 - Right-of-Use Assets and Lease Liabilities - Continued

The ROU assets and lease liabilities, all of which arise from financing leases, were calculated based on the present value of future lease payments over the lease terms. The School has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities and the weighted average lease term as of June 30, 2023 was 3.13% and 30 years.

Total lease costs for the year ended June 30, 2023 are as follows:

Operating lease cost	\$	-
Financing lease cost:		
Interest expense	\$	2,959,083
Amortization of right-of-use assets	\$	2,772,160

The following table summarizes supplemental cash flow information for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows for operating leases	\$	-
Operating cash flows for finance leases	\$	2,227,999
Financing cash flows from finance leases	\$	622,582

The aggregate future minimum lease payments under these operating leases as of June 30, 2023 are as follows:

For the years ending June 30,		
2024	\$	3,321,062
2025		3,605,832
2026		3,600,735
2027		3,810,778
2028		3,960,809
Thereafter		124,734,338
Total lease payments		143,033,554
Less: present value discount		(54,316,369)
Total lease obligations	\$	88,717,185

Note 7 - Restricted Cash

An escrow account has been established to meet the requirement of the 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.

Central Queens Academy Charter School

Notes to Financial Statements

June 30, 2023

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions are summarized as follows:

	June 30, 2023			
	Beginning Balance 7/1/22	Contributions	Released from Restrictions	Ending Balance 6/30/23
Programs:				
Technology/smartboards	\$ 20,000	\$ 15,000	\$ (20,000)	\$ 15,000
Chromebooks & after school programming	51,819	84,000	(51,819)	84,000
Elementary school social worker	16,314	-	(16,314)	-
Total program restrictions	88,133	99,000	(88,133)	99,000
Time restrictions	287,000	100,000	(75,000)	312,000
Total	<u>\$ 375,133</u>	<u>\$ 199,000</u>	<u>\$ (163,133)</u>	<u>\$ 411,000</u>

	June 30, 2022			
	Beginning Balance 7/1/21	Contributions	Released from Restrictions	Beginning Balance 6/30/22
Programs				
Technology/smartboards	\$ 3,871	\$ 20,000	\$ (3,871)	\$ 20,000
Chromebooks & after school programming	-	117,800	(65,981)	51,819
Elementary school operations	325,000	-	(325,000)	-
Elementary school social worker	-	50,000	(33,686)	16,314
Total program restrictions	328,871	187,800	(428,538)	88,133
Time restrictions	50,000	287,000	(50,000)	287,000
Total	<u>\$ 378,871</u>	<u>\$ 474,800</u>	<u>\$ (478,538)</u>	<u>\$ 375,133</u>

Note 9 - Government Grants – New York City 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 % of the per pupil amount or actual lease costs.

As discussed in Note 6, the School has a lease agreement with a related entity, FQCACS. During the years ended June 30, 2022 and 2021, the School made rental payments totaling \$2,850,582 and \$980,163 to FCQACS.

Central Queens Academy Charter School

Notes to Financial Statements

June 30, 2023

Note 10 - Significant Concentrations

The School is dependent upon grants from the NYCDOE to carry out its operations. Approximately 84% and 83% of the School's total public support and revenue was from the NYCDOE for the years ended June 30, 2023 and 2022, respectively. Reductions in funding from the NYCDOE could significantly impact the School's results of operations.

Note 11 - Commitments and Contingences

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.

Note 12 - Employee Benefits

The School has a tax deferred annuity plan under IRS section 401(k) for all employees. Under the plan, employees may opt to defer a portion of their gross pay, having that portion of pay be invested in accordance with applicable federal and state guidelines governing deferred compensation programs. The School contributed \$118,242 and \$107,298 to the plan during the years ended June 30, 2023 and 2022, respectively.

Note 13 - Liquidity and Availability

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, The School operates its programs within a board approved budget and relies on grants, contributions, and earned income to fund its operations and program activities. The School's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions and contractual obligations. The School's primary sources of support are tuition and fees and donor support. Some of the support received is required to be used in accordance with the purpose restrictions imposed by the donors.

Central Queens Academy Charter School

Notes to Financial Statements

June 30, 2023

Note 13 - Liquidity and Availability - Continued

The following reflects the School's financial assets at June 30, 2023 that are available to meet cash needs for general expenditures within one year:

Financial assets

Cash and cash equivalents	\$ 15,129,029
Government grants receivable - per pupil funding	5,898
Government grants receivable - other	786,650
Pledges receivable - due within one year	<u>63,388</u>
Total financial assets, end of year	<u>15,984,965</u>

Donor-imposed restrictions or internal designations

Contributions restricted - purpose restrictions	<u>(99,000)</u>
---	-----------------

Financial assets available to meet cash needs for general expenditures within one year

\$ 15,885,965

Note 14 - Subsequent Events

Subsequent events have been evaluated through October 16, 2023, 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.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

To the Board of Directors of
Central Queens Academy Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Queens Academy Charter School (the "School"), which comprise the statement of financial position as of June 30, 2023, 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 16, 2023.

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 or significant deficiencies 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Sax CPAs LLP

New York, NY
October 16, 2023

Central Queens Academy Charter School

Schedule of Findings and Questioned Costs

June 30, 2023

Current Year:

None

Prior Year:

None