

# ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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## FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Rochdale Early Advantage Charter School

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Rochdale Early Advantage Charter School (the "School"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School'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 School'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 Rochdale Early Advantage Charter School as of June 30, 2020 and 2019, 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.

***Emphasis of Matter***

As further discussed in Note 8 to the financial statements, a global pandemic has been declared by the World Health Organization as a result of the rapidly growing outbreak of the coronavirus, COVID-19. The extent and ultimate impact of COVID-19 on the School's operating and financial performance cannot be predicted at this time. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2020, on our consideration of Rochdale Early Advantage Charter 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 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 Rochdale Early Advantage Charter School's internal control over financial reporting and compliance.

**MBAF CPAs, LLC**

New York, NY  
October 27, 2020

**ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL**

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
Cash	\$ 3,729,725	\$ 2,785,105
Cash - restricted	100,210	100,200
Grants and other receivables	164,210	64,191
Prepaid expenses and other assets	27,215	7,500
Property and equipment, net	357,039	144,163
Construction in progress - deposit	1,500,000	1,500,000
<b>TOTAL ASSETS</b>	<b>\$ 5,878,399</b>	<b>\$ 4,601,159</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 155,930	\$ 126,423
Accrued salaries and other payroll related expenses	438,848	344,036
Due to NYC Department of Education	-	13,475
Paycheck Protection Program loan payable	633,903	-
<b>TOTAL LIABILITIES</b>	<b>1,228,681</b>	<b>483,934</b>
<b>NET ASSETS</b>		
Net assets - without donor restrictions	4,649,718	4,054,643
Net assets - with donor restrictions	-	62,582
	4,649,718	4,117,225
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,878,399</b>	<b>\$ 4,601,159</b>

The accompanying notes are an integral part of these financial statements.

**ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL**

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>OPERATING REVENUE WITHOUT DONOR RESTRICTIONS</b>		
State and local per pupil operating revenue	\$ 6,647,806	\$ 5,483,289
Federal grants	107,550	134,822
State grants	27,364	22,897
	<u>6,782,720</u>	<u>5,641,008</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>		
Satisfaction of program restrictions	62,582	-
	<u>6,845,302</u>	<u>5,641,008</u>
<b>EXPENSES</b>		
Program		
General education	4,447,654	3,408,039
Special education	1,206,143	1,037,920
Management and general	565,925	475,404
Fundraising	31,681	59,174
	<u>6,251,403</u>	<u>4,980,537</u>
<b>EXCESS FROM SCHOOL OPERATIONS</b>	<u>593,899</u>	<u>660,471</u>
<b>SUPPORT AND OTHER INCOME</b>		
Contributions, grants and other income	1,176	1,621
	<u>595,075</u>	<u>662,092</u>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	-	62,582
Net assets released from restrictions	(62,582)	-
	<u>(62,582)</u>	<u>62,582</u>
<b>CHANGE IN NET ASSETS</b>		
	532,493	724,674
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>4,117,225</u>	<u>3,392,551</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 4,649,718</u>	<u>\$ 4,117,225</u>

The accompanying notes are an integral part of these financial statements.

**ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020

	No. of Positions	Program Services			Supporting Activities			2020
		General Education	Special Education	Total	Management and General	Fundraising	Total	
<b>Personnel Services Costs</b>								
Administrative staff personnel	3	\$ 316,965	\$ 52,828	\$ 369,793	\$ 147,917	\$ 10,566	\$ 158,483	\$ 528,276
Instructional personnel	42	1,917,936	557,897	2,475,833	-	-	-	2,475,833
Non-instructional personnel	11	232,521	38,753	271,274	108,510	7,751	116,261	387,535
Total salaries and staff	56	2,467,422	649,478	3,116,900	256,427	18,317	274,744	3,391,644
Payroll taxes and employee benefits		572,658	161,161	733,819	68,494	4,029	72,523	806,342
Legal fees		-	-	-	11,186	-	11,186	11,186
Accounting and audit services		-	-	-	71,107	-	71,107	71,107
Professional fees - other		168,899	47,577	216,476	20,220	1,189	21,409	237,885
Rent expense		684,866	192,920	877,786	81,991	4,823	86,814	964,600
Repairs and maintenance		47,669	13,428	61,097	5,707	336	6,043	67,140
Insurance		21,643	6,097	27,740	2,591	152	2,743	30,483
Utilities		10,641	2,997	13,638	1,274	75	1,349	14,987
Supplies / Materials		108,137	30,461	138,598	12,946	762	13,708	152,306
Equipment / Furnishings		16,321	4,597	20,918	1,954	115	2,069	22,987
Staff development		47,201	13,296	60,497	5,651	332	5,983	66,480
Student and staff recruitment		28,011	4,114	32,125	-	-	-	32,125
Technology		64,951	18,296	83,247	7,776	457	8,233	91,480
Student services		53,865	17,955	71,820	-	-	-	71,820
Office expense		29,674	8,359	38,033	3,553	209	3,762	41,795
Depreciation and amortization		84,209	23,720	107,929	10,081	593	10,674	118,603
Miscellaneous expense		41,487	11,687	53,174	4,967	292	5,259	58,433
		<b>\$ 4,447,654</b>	<b>\$ 1,206,143</b>	<b>\$ 5,653,797</b>	<b>\$ 565,925</b>	<b>\$ 31,681</b>	<b>\$ 597,606</b>	<b>\$ 6,251,403</b>

The accompanying notes are an integral part of these financial statements.

**ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	No. of Positions	Program Services			Supporting Activities			2019
		General Education	Special Education	Total	Management and General	Fundraising	Total	
<b>Personnel Services Costs</b>								
Administrative staff personnel	4	\$ 200,408	\$ 33,401	\$ 233,809	\$ 93,524	\$ 6,680	\$ 100,204	\$ 334,013
Instructional personnel	37	1,330,056	499,384	1,829,440	-	-	-	1,829,440
Non-instructional personnel	6	256,132	42,689	298,821	119,528	8,538	128,066	426,887
Total salaries and staff	47	1,786,596	575,474	2,362,070	213,052	15,218	228,270	2,590,340
Payroll taxes and employee benefits		465,783	133,081	598,864	53,232	13,308	66,540	665,404
Legal fees		-	-	-	20,523	-	20,523	20,523
Accounting and audit services		-	-	-	66,000	-	66,000	66,000
Professional fees - other		200,705	57,344	258,049	22,938	5,734	28,672	286,721
Rent expense		543,620	155,320	698,940	62,128	15,532	77,660	776,600
Repairs and maintenance		24,992	7,140	32,132	2,856	714	3,570	35,702
Insurance		20,385	5,824	26,209	2,330	582	2,912	29,121
Utilities		8,323	2,378	10,701	951	238	1,189	11,890
Supplies / Materials		87,165	24,904	112,069	9,962	2,490	12,452	124,521
Equipment / Furnishings		10,724	3,064	13,788	1,226	306	1,532	15,320
Staff development		50,022	14,292	64,314	5,717	1,429	7,146	71,460
Student and staff recruitment		20,396	2,027	22,423	-	-	-	22,423
Technology		33,587	9,596	43,183	3,839	960	4,799	47,982
Student services		62,556	20,852	83,408	-	-	-	83,408
Office expense		22,214	6,347	28,561	2,539	635	3,174	31,735
Depreciation and amortization		52,534	15,010	67,544	6,004	1,501	7,505	75,049
Miscellaneous expense		18,437	5,267	23,704	2,107	527	2,634	26,338
		<b>\$ 3,408,039</b>	<b>\$ 1,037,920</b>	<b>\$ 4,445,959</b>	<b>\$ 475,404</b>	<b>\$ 59,174</b>	<b>\$ 534,578</b>	<b>\$ 4,980,537</b>

The accompanying notes are an integral part of these financial statements.



**ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL**

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from operating revenue	\$ 6,731,808	\$ 5,740,311
Cash paid to employees and suppliers	(6,028,196)	(4,888,706)
Other cash received	<u>(61,406)</u>	<u>64,203</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>642,206</u>	<u>915,808</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(331,479)</u>	<u>(86,861)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan payable	<u>633,903</u>	<u>-</u>
NET INCREASE IN CASH	944,630	828,947
CASH AND CASH - RESTRICTED - BEGINNING OF YEAR	<u>2,885,305</u>	<u>2,056,358</u>
CASH AND CASH - RESTRICTED - END OF YEAR	<u><b>\$ 3,829,935</b></u>	<u><b>\$ 2,885,305</b></u>
<b>Reconciliation of change in net assets to net cash provided by operating activities:</b>		
Change in net assets	\$ 532,493	\$ 724,674
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	118,603	75,049
Changes in operating assets and liabilities:		
Grants and other receivables	(100,019)	85,828
Prepaid expenses and other assets	(19,715)	-
Accounts payable and accrued expenses	29,507	85,233
Accrued salaries and other payroll related expenses	94,812	(68,451)
Due to NYC Department of Education	<u>(13,475)</u>	<u>13,475</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><b>\$ 642,206</b></u>	<u><b>\$ 915,808</b></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
<b>Cash and cash - restricted consist of:</b>		
Cash	\$ 3,729,725	\$ 2,785,105
Cash - restricted	100,210	100,200
Total	<u>\$ 3,829,935</u>	<u>\$ 2,885,305</u>

The accompanying notes are an integral part of these financial statements.

# ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

### 1. NATURE OF THE ORGANIZATION

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Rochdale Early Advantage Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on December 15, 2009 to operate a charter school pursuant to Article 56 of the Educational Law of the State of New York. On January 15, 2008, the Board of Regents of the University of the State of New York granted the School a provisional charter. The charter is renewable by the Board of Regents of the University of the State of New York once the term expires. The School opened its doors in the Fall of 2010 in Rochdale, New York with a rigorous academic program and a highly structured and supportive school culture. The School received an extension to their charter term to June 30, 2022.

The School, as determined by the Internal Revenue Service, is exempt from federal income tax under Section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(ii) of the IRC.

The School's primary sources of income are from government funding.

The School operates classes for students in pre-kindergarten through fifth grade.

The New York City Department of Education ("NYCDOE") provides free transportation directly to a majority of the School's students. The School provides free lunch to all of the School's students.

### 2. SIGNIFICANT ACCOUNTING POLICIES

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#### Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the School's net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets – with donor restrictions or without donor restrictions – be displayed in a statement of financial position and that the amount of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Net Assets with Donor Restrictions consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor-imposed restrictions are perpetual in nature.

Net Assets without Donor Restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. This net asset category includes both contributions not subject to donor restrictions and exchange transactions.

#### Cash - Restricted

At June 30, 2020 and 2019, an escrow account of \$100,210 and \$100,200, respectively, is held aside for contingency purposes. The NYCDOE requires that the School maintains an escrow account of at least \$70,000.

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### Grants and Other Receivables

Grants and other receivables represent amounts due from federal and state grants. Grants and other receivables are expected to be collected within one year, are recorded at net realizable value, and amount to \$164,210 and \$64,191 at June 30, 2020 and 2019, respectively. The School has determined that no allowance for uncollectible accounts for grants and other receivables is necessary at June 30, 2020 and 2019. Such estimate is based on management's assessments of the creditworthiness of its grantors, the aged basis of its receivables, as well as current economic conditions and historical information.

### Revenue Recognition

Revenue from state and local governments resulting from the School's charter status is based on the number of students enrolled and is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the School when qualifying expenditures are incurred and billable. Funds received in advance for which qualifying expenditures have not been incurred would be reflected as refundable advances from state and local government grants in the accompanying statements of financial position.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. When a purpose restriction is satisfied or when a time restriction expires, the contribution is reported as net assets released from restrictions and is recognized in change in net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value.

The School receives a substantial portion of its support and revenue from the NYCDOE. If the charter school laws were modified, reducing or eliminating this revenue, the School's finances could be materially adversely affected.

### Property and Equipment

Property and equipment are stated at cost and are depreciated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the life of the asset or the period covered by the charter. The School has established a \$1,000 threshold above which assets are evaluated to be capitalized. Property and equipment acquired with certain government contract funds is recorded as an expense pursuant to the terms of the contract in which the government funding source retains ownership of the property. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

### Impairment

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized for the years ended June 30, 2020 and 2019.

### Advertising

The School expenses advertising costs as incurred. The School incurred \$6,412 and \$1,374 of advertising costs for the years ended June 30, 2020 and 2019, respectively.

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### Functional Allocation of Expenses

Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications using bases determined by management based upon benefits received.

### Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

### Subsequent Events

The School has evaluated events through October 27, 2020, which is the date the financial statements were available to be issued.

### Income Taxes

The School follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, disclosure, and transition.

The School files informational returns in its federal jurisdiction. With few exceptions, the School is no longer subject to federal income tax examinations for fiscal years before 2017.

The School believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the School would classify it as interest expense. The School would classify penalties in connection with underpayments of income tax as other expense.

### Adopted Accounting Pronouncement

During the year ended June 30, 2020, the School adopted Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The update provides guidance in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional or not. The adoption of this update had no effect on the School's financial position and change in net assets.

### Recent Accounting Pronouncements

#### Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standards update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity.

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### Recent Accounting Pronouncements (continued)

#### Revenue from Contracts with Customers (continued)

The update is to be applied to the beginning of the year of implementation or retrospectively. In June 2020, the FASB issued an accounting standards update which defers the required effective date of the update for one year. As a result, entities may elect to adopt the update for annual reporting periods beginning after December 15, 2019, and for interim reporting periods beginning after December 15, 2020, with early application permitted. The School has elected the deferral and is currently evaluating the effect the update will have on its financial statements.

#### Lease Accounting

In February 2016, the FASB issued an accounting standards update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements, lessor accounting, and disclosures related to accounting changes and error corrections.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the School's presentation of comparative periods in the financial statements will continue to be in accordance with current lease accounting. The School is evaluating the method of adoption it will elect.

In June 2020, the FASB issued an accounting standards update which defers the required effective date of the update for one year. As a result, entities may elect to adopt the guidance for annual reporting periods beginning after December 15, 2021, and for interim reporting periods beginning after December 15, 2022, with early application permitted. The School has elected the deferral and expects that the update upon adoption will have a material effect on the School's financial condition due to the recognition of a right-of-use asset and related lease liability. The School does not anticipate the update having a material effect on its results of operations or cash flows, though such an effect is possible.

**ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL**

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

**3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES**

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The School maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The School's management meets monthly to address projected cash flows to meet its operational expenditures. The School's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

	2020	2019
Cash	\$ 3,729,725	\$ 2,785,105
Cash - restricted	100,210	100,200
Grants and other receivables	164,210	64,191
Total financial assets	3,994,145	2,949,496
Less amounts unavailable for general expenditures within one year due to:		
Restricted by contract with time or purpose	(100,210)	(162,782)
Total financial assets available to management for general expenditures within one year	\$ 3,893,935	\$ 2,786,714

At June 30, 2020 and 2019, the School has no board designated net assets.

**4. PROPERTY AND EQUIPMENT**

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Property and equipment consist of the following as of June 30,

	2020	2019	Estimated Useful Lives
Furniture and fixtures	\$ 168,564	\$ 153,474	7 years
Computer hardware and software	546,005	289,743	3 years
Equipment	44,250	34,739	5 years
Software	1,029	1,029	3 years
			Lesser of the life of the asset or the period covered by the charter
Leasehold improvements	488,602	437,986	
	1,248,450	916,971	
Less: Accumulated depreciation and amortization	(891,411)	(772,808)	
	<b>\$ 357,039</b>	<b>\$ 144,163</b>	

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 was \$118,603 and \$75,049, respectively.

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

#### 5. PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

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On April 30, 2020, the School received a loan in the amount of \$633,903 through the Paycheck Protection Program of the 2020 CARES Act ("PPP) administered by the Small Business Administration. The loan is due on April 30, 2022, and bears interest at 1 percent. Monthly payments of principal and interest commence on November 1, 2020. The School may prepay the loan at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for certain purposes, including payroll, benefits, rent, and utilities. Under the terms of the PPP, all or a portion of the loan may be forgiven based on certain requirements being met. The School is tracking the qualifying expenditures during the qualifying period to apply for loan forgiveness under the program by June 30, 2021.

#### 6. AGREEMENTS FOR SCHOOL FACILITIES

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The School amended their lease with New Jerusalem Baptist Church, effective January 1, 2018. The School is obligated under a non-cancelable sub-lease for office and classroom space expiring on June 30, 2023. The terms of the new lease include monthly rental payments of \$58,000 through October 1, 2019 and increase to \$75,000 a month until the expiration of the lease. The lease also includes a security deposit of \$1,500,000 that will be applied towards the cost of acquiring, designing, and constructing property. As of June 30, 2020, there are no future construction commitments.

The School entered into a one year lease agreement with Rescue Church of Christ effective September 1, 2016 and renewed annually. On September 1, 2020, the School renewed this lease through June 30, 2021, with minimum monthly lease payments of \$8,060 for the term of the lease.

The School entered into a separate one year lease agreement with Rescue Church of Christ for additional space, effective September 1, 2019, with monthly rental payments of \$3,500 through June 30, 2020. This lease was not renewed.

Future minimum rental payments are as follows:

June 30,		
2021	\$	980,600
2022		900,000
2023		900,000
Total	\$	<u>2,780,600</u>

Rent expense for the years ended June 30, 2020 and 2019 was \$964,600 and \$776,600, respectively, which is included in the accompanying statements of functional expenses under rent expense.

#### 7. NET ASSETS WITH DONOR RESTRICTIONS

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Net assets with donor restrictions consist of contributions to be used for technology totaling \$62,582 for the year ended June 30, 2019. There were no net assets with donor restrictions for the year ended June 30, 2020.

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

#### 8. RISK MANAGEMENT

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- A. The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks.
- B. The School entered into contractual relationships with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund.
- C. On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The impact of the outbreak of the COVID-19 coronavirus continues to rapidly evolve. The School cannot reasonably estimate the duration and severity of this pandemic; however, economic uncertainties have arisen which could have a material adverse impact on the School's activities, its financial position and its cash flows. The School believes they are taking appropriate actions to mitigate the negative impact.

#### 9. PENSION PLAN

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The School adopted a 403(B) plan (the "Plan") which covers most of the employees. The Plan is a defined contribution plan. Full time employees are eligible to enroll in the Plan on a monthly date with no minimum service time required. The Plan provides for the School to contribute up to 2% of participating employees' salaries. The School contribution becomes fully vested after 6 years. For the years ended June 30, 2020 and 2019, pension expense for the School was \$35,965 and \$29,678, respectively, which is included in payroll taxes and employee benefits in the accompanying statements of functional expenses.

#### 10. CONCENTRATIONS

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- A. Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limit of \$250,000.
- B. The School received approximately 98% and 96% of its revenue from the NYCDOE for the years ended June 30, 2020 and 2019, respectively.
- C. The School's grants and other receivables consist of two major grantors at June 30, 2020 and 2019.
- D. The School's payables consist of one major vendor at June 30, 2020 and two major vendors at June 30, 2019.





**Independent Auditor’s 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 Trustees  
Rochdale Early Advantage Charter School

We have audited, 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, the financial statements of Rochdale Early Advantage Charter School (the “School”), which comprise the statement of financial position as of June 30, 2020, 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 27, 2020.

**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 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 School’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

We noted certain matters that we reported to management of the School in a separate letter dated October 27, 2020.



### **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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**MBAF CPAs, LLC**

New York, NY  
October 27, 2020

# Rochdale Early Advantage Charter School

## Budget Overview: 2020-2021 Budget - FY21 P&L

July 2020 - June 2021

	Total
<b>Income</b>	
<b>4100 State Grants</b>	
4101 Per Pupil Funding- General Ed	6,352,462.08
4102 Per Pupil Funding - Spec. Ed	439,857.96
4103 NYSTL	22,950.50
4104 NYSSL	5,992.01
4105 NYSLIBL	2,462.50
4110 Facilities Funding	726,750.00
<b>Total 4100 State Grants</b>	<b>\$ 7,550,475.05</b>
<b>4200 Federal Grants</b>	
4201 Title I	55,000.00
4203 Title II A	15,000.00
4206 IDEA	28,490.00
4208 E-Rate	6,000.00
<b>Total 4200 Federal Grants</b>	<b>\$ 104,490.00</b>
<b>4300 Contributions</b>	
4301 Unrestricted Contributions	7,000.00
<b>Total 4300 Contributions</b>	<b>\$ 7,000.00</b>
<b>4400 Fundraising</b>	
	20,000.00
<b>4500 Other Revenue</b>	
4501 Interest Income	9.60
4502 Misc. Revenue	5,000.00
<b>Total 4500 Other Revenue</b>	<b>\$ 5,009.60</b>
<b>Total Income</b>	<b>\$ 7,686,974.65</b>
<b>Gross Profit</b>	<b>\$ 7,686,974.65</b>
<b>Expenses</b>	
<b>5000 Personnel Expenses</b>	
<b>5100 Administrative Staff</b>	
5101 Administration	505,398.96
5102 Operations	281,136.00
5103 Operational Support	74,000.00
5104 Executive	99,507.00
<b>Total 5100 Administrative Staff</b>	<b>\$ 960,041.96</b>
<b>5200 Instructional Staff</b>	
5201 Classroom Teachers	1,085,472.00
5202 Special Education	613,496.52
5203 Teaching Assistants	319,681.92
5204 Specialty Teachers	589,477.20
5205 Para Professionals	29,764.92
<b>Total 5200 Instructional Staff</b>	<b>\$ 2,637,892.56</b>
<b>5300 Other Salaries</b>	

5301 Employee Stipend		235,000.00
5302 Guidance Counselor		174,285.24
5304 Bonus		85,000.00
5306 Overtime		2,000.00
<b>Total 5300 Other Salaries</b>	<b>\$</b>	<b>496,285.24</b>
<b>Total 5000 Personnel Expenses</b>	<b>\$</b>	<b>4,094,219.76</b>
<b>5400 Payroll Taxes and Benefits</b>		
5402 Social Security ER		253,841.88
5403 Medicare Employer		60,841.20
5405 State Unemployment-SUI Exp		12,000.00
5413 STD/LTD		16,000.00
5416 Medical		360,000.00
5417 Dental		20,000.00
5418 Disability		5,200.00
5419 Vision		7,000.00
5420 Workers Comp		31,469.52
5423 403B Fees		75,000.00
5424 Life Insurance		7,000.00
<b>Total 5400 Payroll Taxes and Benefits</b>	<b>\$</b>	<b>848,352.60</b>
<b>6100 Administrative Expenses</b>		
6101 Office Supplies		30,000.00
6102 Postage, Mailing Service		5,000.04
6103 Printing and Copying		6,000.00
6104 Computer Equipment		10,000.00
6106 Team Building-Refreshments		45,000.00
6107 Staff Travel		5,000.00
6110 Books, Subscriptions, Reference		40,000.00
6111 Office Equipment		5,000.00
6112 Tuition Reimbursement		12,000.00
<b>6120 Insurance</b>		
6121 General Liability		27,000.00
6123 Directors Liability		4,000.00
6126 Student Accident		750.00
<b>Total 6120 Insurance</b>	<b>\$</b>	<b>31,750.00</b>
<b>Total 6100 Administrative Expenses</b>	<b>\$</b>	<b>189,750.04</b>
<b>6200 Professional Services</b>		
6201 Auditing Fees		25,000.00
6202 Payroll fees		15,000.00
6203 Financial Management Services		45,000.00
6205 Legal Service-Paid		25,000.00
6208 Academic Consultants		135,000.00
6214 Consultants		45,000.00
6215 Substitutes		120,000.00
<b>Total 6200 Professional Services</b>	<b>\$</b>	<b>410,000.00</b>
<b>6300 Professional Development</b>		
6301 PD- Instructional Staff		50,000.00
6302 PD-Administrative Staff		10,000.00

6303 PD-Board Development		10,000.00
<b>Total 6300 Professional Development</b>	<b>\$</b>	<b>70,000.00</b>
<b>6400 Marketing-Recruitment</b>		
6401 Student Recruitment		19,000.00
6402 Staff Recruitment		7,400.00
6403 Advertisement		3,600.00
<b>Total 6400 Marketing-Recruitment</b>	<b>\$</b>	<b>30,000.00</b>
<b>6500 Fundraising Expenses</b>		
6501 Special Events		15,000.00
<b>Total 6500 Fundraising Expenses</b>	<b>\$</b>	<b>15,000.00</b>
<b>7100 Curriculum &amp; Classroom Expenses</b>		
7101 Classroom supplies & Materials		45,000.00
7102 Textbooks		160,000.00
7103 NYSTL Expense		22,950.50
7104 NYSSL-Expense		5,902.12
7105 NYSLIBL Expense		2,462.50
7106 Assesment Expense		25,000.00
7107 Field Trips		25,000.00
7109 Teacher Classroom Stipend		3,000.00
7110 Non Instructional Ed. Expense		15,000.00
7111 Assemblies & Programs		30,000.00
7112 Parent Relations		4,000.00
7114 Pupil Furniture		15,000.00
7115 Music program		25,000.00
7116 Sports Program		20,000.00
7117 Enrichment program		45,000.00
<b>Total 7100 Curriculum &amp; Classroom Expenses</b>	<b>\$</b>	<b>443,315.12</b>
<b>8100 Facilities</b>		
8101 Rent, Parking, Utilities		900,000.00
8102 Facility Maintenance Services		15,000.00
8103 Repairs, Maintenance & Cleaning		25,000.00
8104 Security services		145,000.00
8105 Moving Expenses		10,000.00
8107 Custodial Services		5,000.00
8108 Utilities		22,000.00
<b>Total 8100 Facilities</b>	<b>\$</b>	<b>1,122,000.00</b>
<b>8200 Technology Expense</b>		
8201 Telephone,Internet/Cable		15,000.00
8202 Mobile phones		1,699.92
8204 Technology Services		85,000.00
8206 Non-Capitalized Software		7,500.00
<b>Total 8200 Technology Expense</b>	<b>\$</b>	<b>109,199.92</b>
<b>Total Expenses</b>	<b>\$</b>	<b>7,331,837.44</b>
<b>Net Operating Income</b>	<b>\$</b>	<b>355,137.21</b>
<b>Net Income</b>	<b>\$</b>	<b>355,137.21</b>

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