

Coney Island Preparatory Public Charter School

Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Reports

June 30, 2020 and 2019

Coney Island Preparatory Public Charter School

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Uniform Guidance Schedules
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Independent Auditors' Report

**Board of Trustees
Coney Island Preparatory Public Charter School**

Report on the Financial Statements

We have audited the accompanying financial statements of Coney Island Preparatory Public 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.

Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 19 as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020, 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.

PKF O'Connor Davies, LLP

October 26, 2020

Coney Island Preparatory Public Charter School

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,370,668	\$ 6,546,074
Certificate of deposit	5,250,467	-
Grants and contracts receivable	1,002,243	386,209
Due from related party	-	1,371
Prepaid expenses	311,642	289,284
Total Current Assets	8,935,020	7,222,938
Property and equipment, net	2,048,982	2,400,353
Restricted cash - security deposit	2,580,400	-
Restricted cash	75,123	75,079
Security deposits	56,740	56,740
	\$ 13,696,265	\$ 9,755,110
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 845,356	\$ 626,629
Accrued payroll and payroll taxes	720,713	927,990
Deferred rent, current portion	59,132	37,015
Refundable advances	-	16,109
Total Current Liabilities	1,625,201	1,607,743
Paycheck Protection Program loan payable	2,555,000	-
Deferred rent	81,323	143,580
Total Liabilities	4,261,524	1,751,323
Net Assets		
Without donor restrictions	9,100,286	7,529,242
With donor restrictions	334,455	474,545
Total Net Assets	9,434,741	8,003,787
	\$ 13,696,265	\$ 9,755,110

See notes to financial statements

Coney Island Preparatory Public Charter School

Statement of Activities Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and local per pupil operating revenue			
General education	\$ 16,443,607	\$ -	\$ 16,443,607
Special education	2,911,355	-	2,911,355
Facilities	634,561	-	634,561
Federal grants	919,194	-	919,194
Federal E-rate and IDEA	307,666	-	307,666
State and city grants	32,443	-	32,443
Total Operating Revenue	21,248,826	-	21,248,826
EXPENSES			
Program Services			
Regular education	13,255,253	-	13,255,253
Special education	4,679,526	-	4,679,526
Total Program Services	17,934,779	-	17,934,779
Supporting Services			
Management and general	2,183,858	-	2,183,858
Fundraising	21,200	-	21,200
Total Expenses	20,139,837	-	20,139,837
Surplus from Operations	1,108,989	-	1,108,989
SUPPORT AND OTHER REVENUE			
Grants and contributions	145,000	-	145,000
Donated services	99,950	-	99,950
Interest income	77,015	-	77,015
Net assets released from restrictions	140,090	(140,090)	-
Total Support and Other Revenue	462,055	(140,090)	321,965
Change in Net Assets	1,571,044	(140,090)	1,430,954
NET ASSETS			
Beginning of year	7,529,242	474,545	8,003,787
End of year	\$ 9,100,286	\$ 334,455	\$ 9,434,741

See notes to financial statements

Coney Island Preparatory Public Charter School

Statement of Activities Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE			
State and local per pupil operating revenue			
General education	\$ 15,813,636	\$ -	\$ 15,813,636
Special education	3,085,621	-	3,085,621
Facilities	616,057	-	616,057
Federal grants	818,304	-	818,304
Federal E-rate and IDEA	304,328	-	304,328
State and city grants	72,113	-	72,113
Total Operating Revenue	20,710,059	-	20,710,059
EXPENSES			
Program Services			
Regular education	13,281,022	-	13,281,022
Special education	5,176,332	-	5,176,332
Total Program Services	18,457,354	-	18,457,354
Supporting Services			
Management and general	2,126,302	-	2,126,302
Fundraising	18,458	-	18,458
Total Expenses	20,602,114	-	20,602,114
Surplus from Operations	107,945	-	107,945
SUPPORT AND OTHER REVENUE			
Donated services	36,750	-	36,750
Interest income	59,241	-	59,241
Net assets released from restrictions	140,090	(140,090)	-
Total Support and Other Revenue	236,081	(140,090)	95,991
Change in Net Assets	344,026	(140,090)	203,936
NET ASSETS			
Beginning of year	7,185,216	614,635	7,799,851
End of year	\$ 7,529,242	\$ 474,545	\$ 8,003,787

See notes to financial statements

Coney Island Preparatory Public Charter School

Statement of Functional Expenses

Year Ended June 30, 2020

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	52	\$ 2,888,588	\$ 631,135	\$ 3,519,723	\$ 1,492,701	\$ 14,489	\$ 5,026,913
Instructional personnel	115	5,481,622	2,323,745	7,805,367	-	-	7,805,367
Total Salaries and Staff	<u>167</u>	<u>8,370,210</u>	<u>2,954,880</u>	<u>11,325,090</u>	<u>1,492,701</u>	<u>14,489</u>	<u>12,832,280</u>
Fringe benefits and payroll taxes		1,618,024	571,200	2,189,224	268,476	2,606	2,460,306
Retirement		281,205	99,272	380,477	50,149	487	431,113
Legal service		81,481	28,766	110,247	14,533	140	124,920
Accounting / audit services		43,044	15,195	58,239	7,676	75	65,990
Other purchased services		197,010	69,549	266,559	26,761	260	293,580
Building / facility costs		431,998	152,505	584,503	77,040	748	662,291
Repairs and maintenance		208,456	73,590	282,046	37,175	361	319,582
Insurance		122,293	43,172	165,465	21,809	212	187,486
Utilities		62,693	22,132	84,825	11,180	109	96,114
Supplies / materials		180,931	63,985	244,916	-	-	244,916
Equipment / furnishings		27,630	9,754	37,384	2,702	26	40,112
Staff development		126,196	44,550	170,746	3,772	37	174,555
Marketing / recruitment		97,942	34,576	132,518	17,466	170	150,154
Technology		148,201	52,318	200,519	26,429	257	227,205
Food service		322,778	113,948	436,726	-	-	436,726
Student services		228,690	80,733	309,423	-	-	309,423
Office expense		162,500	57,366	219,866	28,980	281	249,127
Depreciation and amortization		517,953	182,850	700,803	92,369	897	794,069
Other		26,018	9,185	35,203	4,640	45	39,888
Total Expenses		<u>\$ 13,255,253</u>	<u>\$ 4,679,526</u>	<u>\$ 17,934,779</u>	<u>\$ 2,183,858</u>	<u>\$ 21,200</u>	<u>\$ 20,139,837</u>

See notes to financial statements

Coney Island Preparatory Public Charter School

Statement of Functional Expenses
Year Ended June 30, 2019

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	56	\$ 3,276,488	\$ 777,282	\$ 4,053,770	\$ 1,469,495	\$ 12,764	\$ 5,536,029
Instructional personnel	112	4,936,467	2,424,450	7,360,917	-	-	7,360,917
Total Salaries and Staff	<u>168</u>	8,212,955	3,201,732	11,414,687	1,469,495	12,764	12,896,946
Fringe benefits and payroll taxes		1,662,728	648,196	2,310,924	268,639	2,333	2,581,896
Retirement		238,173	92,849	331,022	42,615	370	374,007
Legal service		28,733	11,306	40,039	3,482	22	43,543
Accounting / audit services		33,822	13,185	47,007	6,052	53	53,112
Other purchased services		200,806	78,282	279,088	23,873	207	303,168
Building / facility costs		418,521	163,156	581,677	74,883	650	657,210
Repairs and maintenance		202,371	78,892	281,263	36,209	315	317,787
Insurance		107,659	41,970	149,629	19,263	167	169,059
Utilities		32,495	12,668	45,163	5,814	50	51,027
Supplies / materials		199,167	77,643	276,810	-	-	276,810
Equipment / furnishings		29,480	11,493	40,973	3,678	32	44,683
Staff development		168,013	65,498	233,511	2,238	19	235,768
Marketing / recruitment		69,004	26,900	95,904	12,346	107	108,357
Technology		136,632	53,264	189,896	24,447	212	214,555
Food service		384,058	149,721	533,779	-	-	533,779
Student services		408,402	159,211	567,613	-	-	567,613
Office expense		191,688	73,492	265,180	33,730	293	299,203
Depreciation and amortization		479,582	186,960	666,542	85,809	745	753,096
Other		76,733	29,914	106,647	13,729	119	120,495
Total Expenses		<u>\$ 13,281,022</u>	<u>\$ 5,176,332</u>	<u>\$ 18,457,354</u>	<u>\$ 2,126,302</u>	<u>\$ 18,458</u>	<u>\$ 20,602,114</u>

See notes to financial statements

Coney Island Preparatory Public Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,430,954	\$ 203,936
Adjustments to reconcile change in net assets to net cash from operating activities		
Deferred rent	(40,140)	(18,059)
Depreciation and amortization	794,069	753,096
Changes in operating assets and liabilities		
Grants and contracts receivable	(616,034)	522,608
Due from related party	1,371	218,716
Prepaid expenses	(22,358)	9,645
Accounts payable and accrued expenses	218,727	31,431
Accrued payroll and payroll taxes	(207,277)	5,000
Refundable advances	(16,109)	(11,727)
Net Cash from Operating Activities	1,543,203	1,714,646
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(442,698)	(314,324)
Purchase of certificate of deposit	(5,250,467)	-
Net Cash from Investing Activities	(5,693,165)	(314,324)
 CASH FLOW FROM FINANCING ACTIVITY		
Paycheck Protection Program loan proceeds	2,555,000	-
 Net Change in Cash, Cash Equivalents and Restricted Cash	(1,594,962)	1,400,322
 CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	6,621,153	5,220,831
End of year	\$ 5,026,191	\$ 6,621,153
 The following table provides a reconciliation of cash and cash equivalents and restricted cash to the statements of financial position:		
Cash and cash equivalents	\$ 2,370,668	\$ 6,546,074
Restricted cash - security deposit	2,580,400	-
Restricted cash	75,123	75,079
	\$ 5,026,191	\$ 6,621,153

See notes to financial statements

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Tax Status

Coney Island Preparatory Public Charter School (the "School") is a New York State, not-for-profit educational corporation that operates as a charter school in the borough of Brooklyn, New York. On February 12, 2009, the Board of Regents of the University of the State of New York ("Board of Regents") for and on behalf of the State Education Department granted the School a provisional charter valid for a term of five years from the effective date of December 16, 2008 and renewable upon expiration by the Board of Regents. The Board of Regents approved and issued several renewals to the School's charter expiring June 30, 2023. The School's mission is that students will develop the academic skills and character necessary for success in selective colleges and universities, and the career of their choice. Students will learn through a rigorous academic program, with a strong focus on writing, in a supportive and structured school community. Classes commenced in Brooklyn, New York, in August 2009 and the School provided education to approximately 1,007 students in kindergarten through twelfth grade during the 2019-2020 academic year.

During 2017, the School applied to change its authorizer and transfer its charter from The New York City Department of Education to the Charter Schools Institute of the State University of New York ("SUNY"). On October 11, 2017, SUNY approved the transfer of the School's charter effective for the 2017-2018 school year.

The School retains an outside vendor to provide meals for students in which the School receives reimbursement from the New York State Education Department. The New York City Department of Education provides Metrocards to a majority of the School's students. Such amounts are not included in these financial statements.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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. Accordingly, actual results could differ from those estimates.

Adoption of New Accounting Policies

Recognition of Contributions

Effective July 1, 2019, the School adopted Accounting Standards Update ("ASU") 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies *(continued)*

Adoption of New Accounting Policies (continued)

Recognition of Contributions (continued)

This guidance provides a framework for evaluating whether contributions and grants should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the School recognizes contributions and grants, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis

Restricted Cash

In November 2016, the Financial Accounting Standards Board issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 requires significant changes regarding how restricted cash is classified and presented on the statement of cash flows. On July 1, 2019, the School adopted the new guidance regarding the presentation and classification of restricted cash. The guidance requires the School to 1) include restricted cash and restricted cash equivalents in the cash and cash equivalents balances on the statements of cash flows, 2) provide a reconciliation between the statements of financial position and the statements of cash flows when more than one item for cash, cash equivalents, restricted cash, and restricted cash equivalents is presented on the statements of financial position, 3) eliminate the presentation of transfers between restricted cash and cash, and 4) include disclosures about the nature of the restrictions for material balances. Adoption of the ASU resulted in a change in the accounting for restricted cash on the statements of cash flows.

Net Assets Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances held in bank accounts and highly liquid debt instruments with maturities of three months or less at the time of purchase.

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (*continued*)

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

Certificate of Deposit

At June 30, 2020 and 2019, the School had \$5,250,467 and \$0 invested in a certificate of deposit held by a bank. The certificate of deposit is reported at cost plus accrued interest and has an original term of six months maturing on December 25, 2020.

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Computers and equipment	3 to 5 years
Furniture and fixtures	7 years
Software	3 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount of the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2020 and 2019.

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

Deferred Rent

The School records its rent in accordance with U.S. GAAP, whereby all rental payments, including fixed rent increases, are recognized on a straight-line basis as an offset to rent expense. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentive, is reflected in deferred rent in the accompanying statements of financial position.

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (*continued*)

Revenue and Support

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

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.

Restricted contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Donated Services

Donated services are recognized as contributions in accordance with U.S. GAAP if the services create or enhance non-financial assets, require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School, and are measurable.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred. Marketing and recruitment costs for the years ended June 30, 2020 and 2019 amounted to \$150,154 and \$108,357.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2017.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 26, 2020.

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2020 and 2019

3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state, and city entitlements and grants. The School expects to collect these receivables within one year, and has not provided an allowance for doubtful accounts.

4. Conditional Promise to Give

On October 23, 2019, the School received a \$650,000 grant from one foundation for project specific support and general development of the School. The grant contains various grantor conditions related to specific milestones and time periods through October 30, 2021. Since this grant represents a conditional promise to give, it is not recognized as grants and contributions revenue until grantor conditions are met. For the year ended June 30, 2020, revenue recognized under this grant totaled \$125,000. At June 30, 2020, the remaining balance of this conditional promise to give was \$525,000.

5. Related Party Transactions (not disclosed elsewhere)

The School is an affiliate of Coney Island Prep Builders, Inc. ("Builders"), a New York State, not-for-profit corporation with common management and board of trustees. Builders supports the School through financial, fundraising, and development efforts.

For the years ended June 30, 2020 and 2019, the School charged Builders \$319,525 and \$199,194 for salary and benefits for shared employees, and \$5,565 and \$1,371 for net operating expenses.

Net balance due from Builders at June 30, 2020 and 2019 amounted to \$0 and \$1,371.

On July 13, 2020 the lease with The Roman Catholic Church of Saints Simon and Jude for the high school facility was transferred to Builders. On July 24, 2020, the School entered into a sub-lease agreement with Builders. The term commenced on August 1, 2020 and expires on July 31, 2023 with two 5-year renewal options. (see note 13).

6. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Computers and equipment	\$ 1,901,770	\$ 1,642,708
Furniture and fixtures	675,176	669,311
Software	70,360	60,009
Leasehold improvements	<u>4,247,782</u>	<u>4,080,362</u>
	6,895,088	6,452,390
Accumulated depreciation and amortization	<u>(4,846,106)</u>	<u>(4,052,037)</u>
	<u>\$ 2,048,982</u>	<u>\$ 2,400,353</u>

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2020 and 2019

7. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30:

	2020	2019
Cash and cash equivalents	\$ 2,370,668	\$ 6,546,074
Certificate of deposit	5,250,467	-
Grants and contracts receivable	1,002,243	386,209
Due from related party	-	1,371
	<u>\$ 8,623,378</u>	<u>\$ 6,933,654</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in savings accounts, certificates of deposits, and other liquid instruments until it is required for operational use.

Net assets with donor restrictions of \$334,455 represent the net book value of leasehold improvements at June 30, 2020. This amount will be released from restriction at the same rate as recognition of amortization expense (see Note 8).

8. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019 consist of \$334,455 and \$474,545, restricted for facility renovation. These costs are classified as leasehold improvements under property and equipment on the School's statements of financial position. Net assets with donor restrictions are reclassified to net assets without donor restrictions as amortization expense is recognized over the life of the leasehold improvements. During the years ended June 30, 2020 and 2019, \$140,090 was released from restrictions.

9. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b) for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 5% of annual compensation. The amount charged for matching contributions to this plan amounted to \$419,677 and \$367,823 for the years ended June 30, 2020 and 2019.

10. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2020 and 2019, approximately \$4,525,000 and \$6,121,000 of cash was maintained with two institutions in excess of FDIC limits.

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2020 and 2019

11. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2020 and 2019, the School received approximately 93% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

12. Donated Services

Legal services were provided to the School at no charge. The value of these services meets the criteria for recognition in the financial statements and was recorded at a fair value of \$99,950 and \$36,750 for the years ended June 30, 2020 and 2019. The value of these services is allocated to management and general services in the accompanying statements of activities and functional expenses.

13. Commitments

Elementary School Facility

The School began sharing space with a New York City public school in July 2014. The School is not responsible for rent, real estate taxes, utilities, custodial services, maintenance, and school safety services other than security related to the School's programs that take place outside the district's school day. The School was unable to determine a value for the contributed space and related services and did not record any value for use of donated facilities or services.

Middle School Facility

The School began sharing space with a New York City public school in July 2011. The School is not responsible for rent, real estate taxes, utilities, custodial services, maintenance, and school safety services other than security related to the School's programs that take place outside the district's school day. The School was unable to determine a value for the contributed space and related services and did not record any value for use of donated facilities or services.

High School Facility

On November 19, 2012, the School entered into a lease agreement with The Roman Catholic Church of Saints Simon and Jude for the rental of space of a building located in Brooklyn, New York. The lease term commenced on April 1, 2013 and expires on July 31, 2022. The School is responsible for utilities, insurance, custodial services, and maintenance.

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2020 and 2019

13. Commitments (continued)

High School Facility (continued)

The future minimum lease payments under this operating lease are as follows for the years ending June 30:

2021	\$ 653,586
2022	673,194
2023	<u>56,236</u>
	<u>\$ 1,383,016</u>

On July 13, 2020 this lease was transferred to Builders, a related party (see note 5)

On July 24, 2020, the School entered into a sub-lease agreement with Builders for the space located at 294 Avenue, Brooklyn, New York. The lease term commenced on August 1, 2020 and will expire on July 31, 2023 with two 5-year renewal options. This location will be used as the future site of the Upper Elementary school.

Central Office

On June 24, 2016, the School entered into a lease agreement with APX, LLC for the rental of office space in Brooklyn, New York. The lease term commenced on August 1, 2016 and expires on July 31, 2021.

The lease was amended on December 21, 2016, to abate rent for November 2016 through February 2017 due to significant delays in obtaining a certificate of occupancy by the landlord. The School is responsible for utilities, insurance, custodial services, and maintenance.

The future minimum lease payments under this operating lease are as follows for the years ending June 30:

2021	\$ 68,082
2022	<u>5,683</u>
	<u>\$ 73,765</u>

New High School Facility

On July 31, 2019, the School entered into a lease agreement with 1717 East 8 ST LLC, for the rental of office/classroom space located in Brooklyn, New York. This location will be the new home of the high school.

Under the terms of the agreement, the lease term shall begin on the initial possession date and shall end on the last day of the 31st lease year. Base rent for the first lease year shall be an annual amount equal to the lesser of \$1,440,000 and the product of \$40 multiplied by the gross square footage of the portion of the premises with landlord's work substantially completed as of the initial possession date. Base rent for the second lease year shall be an

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2020 and 2019

13. Commitments (*continued*)

New High School Facility (continued)

annual amount equal to the lesser of \$2,100,000 and the product of \$40 multiplied by the gross square footage of the portion of the premises with landlord's work substantially completed as of the second lease year. Base rent for the third lease year (and for each lease year thereafter until the first escalation year) shall be an annual amount equal to the product of \$40 multiplied by the gross square footage of the portion of the premises with landlord's work substantially completed as of the third lease year. Commencing as of the first escalation year and on each lease year thereafter throughout the term of the lease (including the renewal term), the base rent shall increase as of the first day of each such lease year to an amount which is 103% of the base rent payable for the immediately preceding lease year. The School anticipates initial possession date to be in July 2022.

Standby Letter of Credit

Under the terms of the lease for the new high school facility, the School provided the landlord a standby letter of credit in the amount of \$2,580,400 as a security deposit. This credit facility is secured by the School's cash equivalents with the lender and all assets held by the School as collateral. There was no outstanding balance on the standby letter of credit as of June 30, 2020. The standby letter of credit expires the last year of the lease term.

Rent expense under all operating leases amounted to \$662,291 and \$657,210 for the years ended June 30, 2020 and 2019.

14. Paycheck Protection Program Loan Payable

On April 29, 2020, the School qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified PPP lender, for an aggregate principal amount of \$2,550,000 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the SBA. The principal amount of the PPP Loan is subject to forgiveness under the PPP upon the School's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the School. The School intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. The School believes that most, if not all, of the PPP Loan will meet the requirements for debt forgiveness. To the extent that all or part of the PPP Loan is not forgiven, the School will be required to pay interest on the PPP Loan through the date principal is repaid in full or the maturity date.

The SBA has stated it will review the needs certification on all loans over \$2,000,000. After the review, the SBA may determine that the School did not meet the need criteria to apply for the PPP Loan. In such a circumstance, the School may be forced to return part or all of the PPP Loan proceeds plus pay the accrued and unpaid interest. The School believes it was eligible to receive the PPP Loan proceeds.

Coney Island Preparatory Public Charter School

Notes to Financial Statements
June 30, 2020 and 2019

15. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

16. Risks and Uncertainties

The School's operations and financial performance may be affected by the recent COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the School may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in state and local per pupil operating revenue, shortfalls and variations in enrollment, and operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter

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Coney Island Preparatory Public Charter School

Uniform Guidance
Schedules and Reports

June 30, 2020

Coney Island Preparatory Public Charter School

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Pass-through New York State Education Department:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	332100860949	\$ -	\$ 102,658
National School Lunch Program	10.555	332100860949	-	239,945
Total U.S. Department of Agriculture			-	<u>342,603</u>
<u>U.S. Department of Education</u>				
Pass-through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021204595	-	396,787
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147204595	-	40,580
Student Support and Academic Enrichment Program	84.424	0204204595	-	24,760
CARES Act: Elementary and Secondary School Emergency Relief Fund	84.425D	5890214595	-	114,464
Total U.S. Department of Education			-	<u>576,591</u>
Total Expenditures of Federal Awards			\$ -	<u>\$ 919,194</u>

See independent auditors' report and notes to schedule of expenditures of federal awards

Coney Island Preparatory Public Charter School

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Coney Island Preparatory Public Charter School (the "School"), under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass through entity identifying numbers are presented when available.

3. Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance

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

**Board of Trustees
Coney Island Preparatory Public 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 Coney Island Preparatory Public 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 26, 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 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.

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

October 26, 2020



Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

**Board of Trustees
Coney Island Preparatory Public Charter School**

Report on Compliance for Each Major Federal Program

We have audited Coney Island Preparatory Public Charter School's (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2020. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

October 26, 2020

Coney Island Preparatory Public Charter School

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to the financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.553 and 10.555

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X yes _____ no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2020.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instance of noncompliance and none of the costs tested which were reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV – Prior Year Findings

There were no prior year audit findings.

Board of Trustees
Coney Island Preparatory Public Charter School

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of Coney Island Preparatory Public Charter School (the "School") as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the audit committee, the Board of Trustees, the Charter Schools Institute of the State University of New York, the State Education Department of the State University of New York, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP

Harrison, New York
October 26, 2020