Middle Village Preparatory Charter School

Financial Statements

June 30, 2020 and 2019

Independent Auditors' Report

Board of Trustees
Middle Village Preparatory Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Middle Village Preparatory Charter 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Middle Village Preparatory Charter 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2020 on our consideration of Middle Village Preparatory 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 Middle Village Preparatory Charter 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 Middle Village Preparatory Charter School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

October 7, 2020

Middle Village Preparatory Charter School

Statements of Financial Position

	June 30	
	2020	2019
ASSETS		
Cash and cash equivalents	$ 2,924,319	$ 3,879,244
Grants and accounts receivable	142,697	72,951
Investments	5,668,721	3,762,261
Prepaid expenses and other assets	912,827	290,394
Restricted cash	75,170	75,132
Property and equipment, net	900,760	509,684
	$ 10,624,494	$ 8,589,666
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 394,502	$ 386,314
Deferred revenue	-	7,356
Total Liabilities	394,502	393,670
Net Assets Without Donor Restriction		
Undesignated	3,182,202	3,061,672
Board designated	7,047,790	5,134,324
Total Net Assets Without Donor Restriction	10,229,992	8,195,996
	$ 10,624,494	$ 8,589,666

See notes to financial statements

Middle Village Preparatory Charter School

Statements of Activities

	Year Ended June 30	
	2020	2019
REVENUE AND SUPPORT		
Public School District -		
State and local per pupil operating revenue	$ 7,059,926	$ 6,861,805
Government grants and contracts	1,541,543	1,631,927
Interest and dividend revenue	161,866	108,235
Net realized and unrealized (loss) gain on investments	(48,366)	62,971
Other income	18,830	25,742
Total Revenue and Support	8,733,799	8,690,680
EXPENSES		
Program services	5,942,051	5,811,619
Management and general	757,752	789,885
Total Expenses	6,699,803	6,601,504
Change in Net Assets	2,033,996	2,089,176
NET ASSETS WITHOUT DONOR RESTRICTION		
Beginning of year	8,195,996	6,106,820
End of year	$ 10,229,992	$ 8,195,996

See notes to financial statements

Middle Village Preparatory Charter School

Statement of Functional Expenses
Year Ended June 30, 2020

	No. of Positions	No. of Students	2020 Program Services Regular Education	2020 Program Services Special Education	2020 Program Services Total	2020 Management and General	2020 Total	2019 Total
		395	346	49				
Personnel Services Costs								
Administrative staff personnel	9		$ 356,167	$ 222,604	$ 578,771	$ 311,646	$ 890,417	$ 972,286
Instructional personnel	31		1,504,468	676,694	2,181,162	-	2,181,162	2,016,943
Non-instructional personnel	1		85,153	12,025	97,178	-	97,178	98,314
Total Personnel Services Costs	41		1,945,788	911,323	2,857,111	311,646	3,168,757	3,087,543
Fringe benefits and payroll taxes			283,617	132,834	416,451	45,426	461,877	419,306
Retirement			86,720	40,616	127,336	13,889	141,225	86,820
Legal service			-	-	-	10,489	10,489	17,940
Accounting/audit services			-	-	-	49,230	49,230	53,028
Building and land rent/lease			930,520	435,816	1,366,336	149,036	1,515,372	1,520,323
Repairs and maintenance			49,018	22,958	71,976	7,851	79,827	1,945
Insurance			79,861	37,404	117,265	12,791	130,056	113,806
Supplies/materials			176,465	24,920	201,385	-	201,385	228,636
Equipment/furnishings			20,216	9,469	29,685	3,238	32,923	42,224
Staff development			90,082	12,721	102,803	-	102,803	85,664
Marketing and recruitment			45,311	12,956	58,267	3,210	61,477	105,939
Technology			9,711	4,548	14,259	1,555	15,814	10,388
Food service			86,569	40,545	127,114	13,865	140,979	181,477
Student services			68,780	22,481	91,261	99,031	190,292	267,234
Office expense			21,470	10,056	31,526	3,439	34,965	33,119
Depreciation and amortization			174,001	81,493	255,494	27,870	283,364	263,459
Other			56,093	17,689	73,782	5,186	78,968	82,653
Total Expenses			$ 4,124,222	$ 1,817,829	$ 5,942,051	$ 757,752	$ 6,699,803	$ 6,601,504

See notes to financial statements

Middle Village Preparatory Charter School

Statement of Functional Expenses
Year Ended June 30, 2019

			Program Services				
	No. of Positions	No. of Students	Regular Education	Special Education	Total	Management and General	Total
		399	348	51			
Personnel Services Costs							
Administrative staff personnel	10		$ 388,914	$ 243,072	$ 631,986	$ 340,300	$ 972,286
Instructional personnel	28		1,401,847	615,096	2,016,943	-	2,016,943
Non-instructional personnel	1		87,787	10,527	98,314	-	98,314
Total Personnel Services Costs	39		1,878,548	868,695	2,747,243	340,300	3,087,543
Fringe benefits and payroll taxes			255,117	117,974	373,091	46,215	419,306
Retirement			52,824	24,427	77,251	9,569	86,820
Legal service			-	-	-	17,940	17,940
Accounting/audit services			-	-	-	53,028	53,028
Building and land rent/lease			925,007	427,750	1,352,757	167,566	1,520,323
Repairs and maintenance			1,183	548	1,731	214	1,945
Insurance			69,243	32,020	101,263	12,543	113,806
Supplies/materials			204,154	24,482	228,636	-	228,636
Equipment/furnishings			25,690	11,880	37,570	4,654	42,224
Staff development			76,491	9,173	85,664	-	85,664
Marketing and recruitment			83,758	17,982	101,740	4,199	105,939
Technology			6,320	2,923	9,243	1,145	10,388
Food service			110,416	51,059	161,475	20,002	181,477
Student services			163,145	31,640	194,785	72,449	267,234
Office expense			20,151	9,318	29,469	3,650	33,119
Depreciation and amortization			160,296	74,124	234,420	29,039	263,459
Other			57,254	18,027	75,281	7,372	82,653
Total Expenses			$ 4,089,597	$ 1,722,022	$ 5,811,619	$ 789,885	$ 6,601,504

See notes to financial statements

Middle Village Preparatory Charter School

Statements of Cash Flows

	Year Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from per pupil operating revenue and government grants and contracts	$ 8,524,367	$ 8,604,773
Cash receipts from interest and dividend revenue	161,866	108,235
Other income	18,830	25,742
Total Cash Received	8,705,063	8,738,750
Cash paid for payroll and benefits	3,816,813	3,597,182
Cash paid to vendors	3,213,871	2,975,760
Total Cash Paid	7,030,684	6,572,942
Net Cash from Operating Activities	1,674,379	2,165,808
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(5,486,324)	(1,970,655)
Sale of investments	3,531,498	670,317
Purchases of property and equipment	(674,440)	(366,897)
Net Cash from Investing Activities	(2,629,266)	(1,667,235)
Net Change in Cash, Cash Equivalents and Restricted Cash	(954,887)	498,573
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	3,954,376	3,455,803
End of year	$ 2,999,489	$ 3,954,376
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents	$ 2,924,319	$ 3,879,244
Restricted cash	75,170	75,132
	$ 2,999,489	$ 3,954,376

See notes to financial statements

1. Organization and Tax Status

Middle Village Preparatory Charter School (the "School") is a public charter school whose mission is to prepare students with the academic skills, strength of character and social and emotional well-being to excel in high school and college, to lead in their communities and to realize their best possible selves.

The School operates in Middle Village, New York. On January 1, 2013, the Board of Regents of the University of the State of New York (the "Board of Regents") granted the School a provisional charter valid for a term of five years and renewable upon expiration. During the year ended June 30, 2018, the Board of Regents renewed the School's charter for a period of five years expiring July 31, 2023. The School opened with its first academic year in the fall of 2013 and provided education to 395 and 399 students in sixth through eighth grade during the 2019-2020 and 2018-2019 academic years.

The School's primary sources of revenue are from state and local per pupil operating revenue and other government funding.

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 contingencies, if any, at the date of the financial statements, and the reported amounts of support and revenue and expenses during the period then ended. Actual results could differ from those estimates.

Adoption of New Accounting Policies

Revenue from Contracts with Customers

Effective July 1, 2019, the School adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, as amended. The guidance provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance. The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers.

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

Adoption of New Accounting Policies (continued)

Revenue from Contracts with Customers (continued)

In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework.

Analysis of various provisions of this standard resulted in no significant changes in the way the School recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. When revenue is earned over a period that spans the year end, it is recognized in the applicable period in which it is earned. The new guidance requires the School to not recognize revenue until it is probable of collection. Based on the School's strong collection experience, management has concluded that all revenue recognized is probable of collection.

Recognition of Contributions

Effective July 1, 2019, the School adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether contributions and grants should be accounted for as exchange transactions or as non-exchange 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

Effective July 1, 2019, the School adopted ASU 2016-18 *Statement of Cash Flows* (ASC 230): *Restricted Cash* ("ASU 2016-18"), which requires the inclusion of restricted cash and cash equivalents with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statements of cash flows. The School's restricted cash consists of an escrow to cover debts in the event of the School's dissolution. Previously, changes in restricted cash were reported on the statements of cash flows as operating, investing or financing activities based on the nature of the underlying activity. ASU 2016-18 requires a retrospective application to all periods presented. Prior period amounts have been reclassified to conform to the current period presentation, resulting in restricted cash balances that are included with cash and cash equivalents as of the beginning and ending of each period presented in the statements of cash flows.

Net Asset Presentation

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

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

Net Asset Presentation (continued)

Without donor restriction - consist of resources available for the general support of the School's operations. Net assets without donor restriction may be used at the discretion of the School's management and Board of Trustees. Board designated net assets were established by the Board of Trustees to provide a cash and cash equivalents reserve for unseen operating and capital expenses.

With donor restriction - represent amounts restricted by donors for specific activities of the School or to be used at some future date and amounts restricted by donors to be maintained in perpetuity. The School records contributions as net assets with donor restriction 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 restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. However, when restrictions on net assets with donor restricted contributions are met in the same accounting period in which they are received, such amounts are reported as net assets without donor restriction.

The School had no net assets with donor restriction at June 30, 2020 and 2019.

Cash and Cash Equivalents

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

Fair Value Measurements

The School follows U.S. GAAP guidance on fair value measurements, which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices that are observable, either directly or indirectly, with fair value being determined through the use of models or other valuation methodologies. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investment Valuation

Investments are carried at fair value.

Restricted Cash

Included in restricted cash is an escrow fund of $75,170 as of June 30, 2020 and $75,132 as of June 30, 2019 to cover debts in the event of the School's dissolution. According to Section 2851(2)(t) of the Charter School Law, the School must maintain no less than $75,000 in an escrow account.

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

Property and Equipment

Property and equipment is recorded at cost. Additions and improvements or betterments in excess of $1,000 with an estimated useful life of more than three years are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or term of the related lease. Property and equipment acquired with certain government contract funds are recorded as expenses when the government retains title to such assets.

Impairment of Long-Lived Assets

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 at June 30, 2020 and 2019.

Revenue Recognition

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

Revenue from federal, state and local government grants and contracts is recognized by the School when qualifying expenditures are incurred. Funds received in advance for which qualifying expenditures have not been incurred are reflected as deferred revenue in the accompanying statements of financial position.

The School follows U.S. GAAP guidance on accounting for contributions received and contributions made. Accordingly, contributed assets are recorded at fair value at the date of donation. Services are recognized as revenue and assets or expenses at fair value if those services create or enhance nonfinancial assets, would typically need to be purchased by the School if they had not been provided by contribution or require specialized skills and are provided by individuals with those skills.

A number of volunteers have made a contribution of their time to the School to develop its programs and to serve on the School's Board of Trustees. The value of such contributed time is not reflected in these financial statements because it does not meet the criteria for recognition.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade date basis. Interest revenue is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of change in net assets.

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

Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

Expenses are classified according to the functional categories for which they are incurred, as follows:

> Regular Education Program Services – represents expenses directly associated with regular education.
>
> Special Education Program Services – represents expenses directly associated with special education for certain students requiring additional attention and guidance.
>
> Management and General – represents expenses related to the overall administration and operation of the School that are not associated with any education services or fundraising.

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment costs for the years ended June 30, 2020 and 2019 was $61,477 and $105,939.

Operating Leases

Operating leases are classified in accordance with the terms of the underlying agreements. Operating lease payments are charged to building and land rent/lease expense and are recorded on a straight-line basis. Deferred rent is recorded when there are material differences between the fixed payment and the building and land rent/lease expense.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only when they 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 authorities for the 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 October 7, 2020, which is the date that the financial statements were available to be issued.

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

Reclassification

Certain accounts in the 2019 financial statements have been reclassified to conform to the 2020 financial statement presentation.

3. Concentration of Credit Risk and Revenue

Financial instruments that potentially subject the School to concentrations of credit risk consists primarily of cash and cash equivalents, investments, and grants and accounts receivable. At times, the cash balance may be in excess of the Federal Deposit Insurance Corporation's Insurance limits. As of June 30, 2020 and 2019, the uninsured portion of this balance was $2,427,545 and $3,379,148. The investment portfolio is diversified by types of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of risk.

The School receives a majority of its revenues from the New York State Education Department through the Charter Schools Institute of the State of New York. The Charter Schools Institute of the State of New York provides general operating support to the School based upon the location and the number of students enrolled. State and local per pupil education and special education revenue provided to the School totaled $7,059,926 and $6,861,805 for the years ended June 30, 2020 and 2019. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances would be materially adversely affected.

A majority of the grants and accounts receivable as of June 30, 2020 and 2019 are owed from New York State Education Department and are expected to be collected in the normal course of business operations.

The School entered into contractual arrangements 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, because management does not believe that there are any liabilities to be recorded.

4. Grants and Accounts Receivable

Grants and accounts receivable are deemed to be fully collectible by management and consist of income from the federal government and New York State.

5. Investments

Major categories of investments categorized by the fair value hierarchy are as follows at June 30:

	2020		2019	
	Quoted Price in Active Markets for Identical Assets (Level 1)	Total	Quoted Price in Active Markets for Identical Assets (Level 1)	Total
Exchange-traded funds and closed-end funds	$ 1,604,798	$ 1,604,798	$ 1,125,637	$ 1,125,637
Corporate bonds	232,658	232,658	275,623	275,623
Common stocks	309,000	309,000	26,173	26,173
Mutual funds	1,407,308	1,407,308	931,738	931,738
	$ 3,553,764	3,553,764	$ 2,359,171	2,359,171
Cash equivalents, at cost		643,942		181,948
Certificates of deposit, at cost		1,471,015		1,221,142
		$ 5,668,721		$ 3,762,261

During the years ended June 30, 2020 and 2019, there were no transfers in or out of Levels 1, 2 or 3 of the fair value hierarchy.

6. Property and Equipment

Property and equipment consist of the following at June 30:

	2020	2019	Estimated Useful Lives
Computers and other equipment	$ 976,128	$ 946,046	3
Furniture and fixtures	385,333	379,159	7
Leasehold improvements	1,440,147	801,963	5
	2,801,608	2,127,168	
Accumulated depreciation and amortization	(1,900,848)	(1,617,484)	
	$ 900,760	$ 509,684	

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:

Financial assets at year end:	
Cash and cash equivalents	$ 2,924,319
Grants and contracts receivable	142,697
Investments	5,668,721
Total Financial Assets	8,735,737
Less amounts unavailable for general expenditure:	
Board designated net assets	7,047,790
Financial Assets at Year End Available to Meet Cash Needs for General Expenditure Within One Year	$ 1,687,947

Liquidity Management

As part of its liquidity management plan, the School invests cash in excess of daily requirements in short-term investments. Although the School does not intend to spend from its board designated net assets other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation, amounts could be made available if necessary.

8. Board Designated Net Assets

For the years ended June 30, 2020 and 2019, the School designated $1,913,466 and $691,761 as a reserve for future capital projects.

The board designated net assets activity for the years ended June 30, 2020 and 2019 is as follows:

	Balance June 30, 2019	Additions	Released	Balance June 30, 2020
Future capital projects	$ 5,134,324	$1,913,466	$ -	$ 7,047,790

	Balance June 30, 2018	Additions	Released	Balance June 30, 2019
Future capital projects	$ 4,442,563	$ 691,761	$ -	$ 5,134,324

9. Operating Leases

Effective July 1, 2018, the School renewed its sublease agreement for a period of five years terminating on June 30, 2023. The sublease may be renewed for an additional five years with the same terms. The rate of rent will increase during the term of the lease by approximately 1% annually. The rent for additional space shall also be calculated and charged in proportion to the increase in floor space. The rental expense totaled $1,515,372 and $1,520,323 for the years ended June 30, 2020 and 2019. There were no care and maintenance fees for the years ended June 30, 2020 and 2019.

Future minimum rental expense to be paid pursuant to the agreement is as follows for the years ending June 30:

2021	$ 1,515,372
2022	1,535,100
2023	1,554,828
	$ 4,605,300

10. Employee Benefit Plan

The School maintains a deferred compensation plan for all qualified employees. The School elects to make contributions to the plan on a discretionary basis. For the years ended June 30, 2020 and 2019, the School expended and contributed $141,225 and $86,820 to the plan.

11. Contingencies

The School is currently a subtenant of Christ the King Regional High School ("Christ the King"), which is a party to a lease for a school building previously owned by the Roman Catholic Diocese of Brooklyn (the "Diocese"). The Diocese was attempting to evict Christ the King. The School sought to intervene as a party to the suit which commenced in 2013, and the School won its appeal to intervene, and Christ the King won its appeal to over-turn the summary judgment granted to the Diocese. In lieu of the matter returning to court for trial, the Diocese and Christ the King negotiated to allow Christ the King to remain on the premises.

On February 26, 2020, the litigation was settled. Under the terms of the agreement, Christ the King may continue to operate on the premises.

12. 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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PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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
Middle Village Preparatory 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 Middle Village Preparatory 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 7, 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 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.

PKF O'CONNOR DAVIES, LLP
665 Fifth Avenue, New York, NY 10022 I Tel: 212.867.8000 or 212.286.2600 I Fax: 212.286.4080 I www.pkfod.com

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 7, 2020

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS
ESTABLISHED IN 1891

Middle Village Preparatory Charter School

Report to the Board of Trustees
For the Year Ended June 30, 2020

October 7, 2020

Gus Saliba, CPA
Partner and Practice Leader, Charter School Practice
gsaliba@pkfod.com

Alexander K. Buchholz, CPA, CGMA, MBA
Engagement Partner
Not-for-Profit Services
abuchholz@pkfod.com

Daniel Smolan, CPA
Supervisor
Not-for-Profit Services
dsmolan@pkfod.com

KNOW
GREATER
VALUE

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS
ESTABLISHED IN 1891

October 7, 2020

Board of Trustees
Middle Village Preparatory Charter School
68-02 Metropolitan Avenue
Middle Village, NY 11379

We are in the process of completing our audit of the financial statements of Middle Village Preparatory Charter School (the "School") as of and for the year ended June 30, 2020.

Professional standards require us to communicate with you regarding audit matters that are, in our professional judgment, significant and relevant to those charged with governance ("TCWG") in overseeing the financial reporting process. This communication is intended to provide you with these required communications as well as other findings and information regarding our audit.

We are pleased to be of service to you and Middle Village Preparatory Charter School and appreciate the opportunity to present our audit findings to you. We are also pleased to discuss other matters which may be of interest to you and to answer any questions you may have.

This information is intended solely for the information and use of TCWG and management of Middle Village Preparatory Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

PKF O'Connor Davies, LLP

Contents

Appendices

Status of the Audit and Other Services

Audit of the Financial Statements

- Audit fieldwork is substantially complete. The scope of our fieldwork was substantially the same as described in our Audit Planning communications.
- The financial statements have been drafted and reviewed by management.
- We anticipate that we will be issuing an unmodified report on the financial statements upon completion of all outstanding audit related items. If the nature of our report changes, we will notify you prior to issuance.
- The following audit related items remain outstanding:
    - Legal confirmation from counsel
    - Signed management representation letter

Other Services

- Our 990 questionnaire has been provided to management. We will begin preparation of the 990 upon receipt of the completed questionnaire.

Required Communications and Other Matters

<table>
<tr><th>Required Item</th><th>Comments</th></tr>
<tr><td>Auditors' responsibility under professional standards and planned scope and timing of the audit</td><td>We have communicated such information in our engagement letter to you dated June 19, 2020. Generally, these responsibilities include:
Forming and expressing an opinion on the financial statements.
Obtaining reasonable assurance that the financial statements are free of material misstatements, whether caused by error or fraud.
Accumulating and communicating uncorrected misstatements to TCWG.
Maintaining professional skepticism.
Communicating audit related matters that are, in our professional judgment, significant to TCWG.</td></tr>
<tr><td>Our responsibilities under the Yellow Book</td><td>In connection with our audit we performed tests of the School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.</td></tr>
<tr><td>Responsibilities of management and TCWG</td><td>Management's responsibilities include:
The fair presentation of the financial statements, including the selection of appropriate accounting policies.
Establishing and maintaining effective internal control.
Complying with laws, regulations, grants and contracts.
Providing the auditors with all financial records and related information and a signed representation letter.
TCWG are responsible for communicating with the auditors and overseeing the financial reporting process.
Both management and TCWG are responsible for:
Setting the proper tone at the top.
Designing and implementing policies and controls to prevent and detect fraud.</td></tr>
</table>

Required Communications and Other Matters *(continued)*

Required Item	Comments
Qualitative aspects of accounting practices - *Accounting Policies*	The significant accounting policies are described in Note 2 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the reporting period that had a significant impact on the financial statements, except as noted below. **Adoption of New Accounting Policies** – During the year ended June 30, 2020, the School adopted ASU 2014-09, "*Revenue from Contracts with Customers*", ASU 2018-08, "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*", which had no impact on the financial statements, and ASU 2016-18, *"Statement of Cash Flows": "Restricted Cash"*, which includes restricted cash with cash and cash equivalents on the statements of cash flows. These policies are appropriate and comply with Accounting Principles Generally Accepted in the United States of America (US GAAP).
Qualitative aspects of accounting practices - *Significant Unusual Transactions*	No matters have come to our attention that would require us to inform you about the methods used to account for significant unusual transactions.
Qualitative aspects of accounting practices - *Accounting Estimates and Management's Judgment*	Accounting estimates made by management are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Actual results could differ from those estimates.

Required Communications and Other Matters *(continued)*

Required Item	Comments
Qualitative aspects of accounting practices - *Accounting Estimates and Management's Judgment (continued)*	Certain accounting estimates are particularly sensitive because of their significance to financial statements and their susceptibility to change. The most sensitive estimates affecting the financial statements are: **Grants and Accounts Receivable / Deferred Revenue** – Management estimates the collectability of receivables/deferred revenue from government agencies for federal cost-reimbursement grants and state and local per pupil operating revenue based on the grant management practices and year-end reconciliation reports. Management concluded that no allowance for doubtful accounts was necessary. **Functional Allocation of Expenses** – Management performs a review of expenses and allocates costs across specific programs on a functional basis based on periodic time and expense studies and other bases as determined by management to be appropriate. **Depreciation Expense** – Depreciation expense is intended to allocate the cost of a long-term asset over its period of use. Management estimates depreciation expense based on the expected useful life and residual value of the underlying assets. Management believes that the estimates used and assumptions made are adequate based on the information currently available. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements as a whole.
Qualitative aspects of accounting practices - *Financial Statement Disclosures*	Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements are: **Note 3** which summarizes concentration of credit risk and revenue. **Note 7** which summarizes liquidity and availability of financial assets. **Note 11** which summarizes contingencies. The financial statement disclosures are consistent and clear.
Difficulties encountered in performing the audit	We encountered no significant difficulties in dealing with management relating to the performance of our audit.

Required Communications and Other Matters *(continued)*

Required Item	Comments
Corrected and uncorrected misstatements	Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. We are required to communicate to you misstatements that remain uncorrected, including any related to prior periods, and the effect, if any, that they may have on the opinion in our report, and request their correction. There are no such financial statement misstatements that remain uncorrected. In addition, we are required to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. (See Appendix 2).
Disagreements with management	For purposes of this communication, a disagreement with management is a matter, whether or not resolved to our satisfaction, concerning financial accounting, reporting, or auditing, which could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of the audit.
Management representations	We have requested certain representations from management that are included in the management representation letter (see Appendix 1).
Management's consultations with other accountants	In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no such consultations with other accountants.
Auditor independence	We affirm that PKF O'Connor Davies, LLP is independent with respect to the School in accordance with relevant professional standards.
Significant issues discussed with management prior to retention	We generally discuss with management a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the School and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed and our responses thereto were a condition to our retention as auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Middle Village Preparatory Charter School's (the "School") 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 express no such opinion.

Professional standards require that we communicate to you, in writing, all significant deficiencies and/or material weaknesses in internal control that we identify in performing our audit. For this purpose, deficiencies in internal control are categorized as follows:

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

Our consideration of internal control was for the limited purpose described in the first paragraph 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 and others charged with governance and is not intended to be and should not be used by anyone other than these specified parties.

* * * * *

PKF O'Connor Davies, LLP

New York, New York
October 7, 2020

Financial Statement Highlights

Statements of Financial Position

- Assets up approximately $2,000,000 due to an increase in per pupil funding rates for 2020. There was a significant decrease in cash (approximately $955,000) due to transfers of funds to investments and fixed asset additions. Rent prepayments of approximately $725,000 were also capitalized during the year, as it relates to the lease agreement.

Statements of Activities

- Public School District - State and local per pupil operating revenue increased by approximately $198,000 due to an increase in per pupil funding.
- Government grants and contracts decreased by approximately $91,000 due to reduced stimulus funding in 2020.
- Expenses increased approximately $98,000 primarily due to an increase in overall salary expenses, fringe benefits and payroll taxes (approximately $178,000) due to increased benefit participation and increases in benefits rates.

Statements of Functional Expenses

- Total salaries and benefits represents 56% of total expenses and increased approximately $178,000 from the prior year, as well as increased 2% as a percentage of total expenses.
- Program expense ratio remained flat at 89% during 2020.

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New Requirements for 2020

Contributions Received and Contributions Made

During 2018, the FASB issued Accounting Standards Update ("ASU 2018-08") which is intended to clarify and improve the scope and accounting guidance for contributions received and made, primarily for not-for-profit organizations. Prior to issuance of the ASU, there was difficulty and diversity in practice among NFPs with:

1. Characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and
2. Distinguishing between conditional and unconditional contributions

ASU 2018-08 provides a more robust framework for determining whether a transaction should be accounted for as contribution or as an exchange transaction. To accomplish this, ASU 2018- 08 clarifies how an organization should evaluate whether the resource provider is receiving value in return for the resources transferred based on certain criteria.

ASU 2018-08 also requires organizations to determine whether a contribution is conditional based on whether an agreement includes:

- A barrier or barriers that must be overcome
- Either a right of return of assets transferred or a right of release of promisor's obligation to transfer assets

If the agreement includes both, the recipient is not entitled to the transferred assets (or a future transfer of assets) until it has overcome the barriers in the agreement.

Effective Dates:
For resource recipients that are:

- Public companies or NFPs that are conduit bond obligors: Annual reporting periods beginning after June 15, 2018, including interim periods within that annual period. All other organizations:
    - Annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019.

For resource providers that are:

- Public companies or NFPs that are conduit bond obligors: Annual reporting periods beginning after December 15, 2018, including interim periods within that annual period.
- All other organizations: Annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020.

The financial statements have been updated to include the effects of ASU 2018-08.

New Requirements for 2020 *(continued)*

New Revenue Recognition Standard

The FASB issued a new revenue recognition standard ("ASU 2014-09") in May 2014, which as extended does not become effective for most non-public companies, including not-for-profit entities and employee benefit plans until 2019. ASU 2014-09 may have a significant impact on revenue recognition and disclosure for certain businesses and industries. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

- ASU 2014-09 does not apply to contributions. It does, however, apply to program revenue and other fees generated by not-for-profit organizations
- The most significant implications to not-for-profit organizations are likely to be within the health care sector:
  - Self-pay patients – The amount of revenue to recognize will likely change, and bad debt is likely to be an operating expense again
  - Prepaid health care services – contract acquisition costs can now be capitalized if recoverable

Effective Dates:

- Non-public entities: Annual reporting periods beginning after December 15, 2018 and interim reporting periods within annual reporting periods beginning after December 15, 2019. On June 3, 2020, the FASB issued ASU 2020-05, which extends the effective date of the revenue recognition standard by one year.
- Public business entities: Already effective

The financial statements have been updated to include the effects of ASU 2014-09.

New Requirements for 2020 *(continued)*

Statement of Cash Flows (Restricted Cash)

In 2016, the FASB issued ASU 2016-18 to address diversity of practice pertaining to classification and presentation of changes in restricted cash on the statement of cash flows. Prior to issuance of ASU 2016-18, GAAP did not include specific guidance on the cash flow classification and presentation of changes in restricted cash or restricted cash equivalents other than limited guidance for not-for-profit entities. Specifically, there was no guidance to address how to classify and present changes in restricted cash or restricted cash equivalents that occur when there are transfers between cash, cash equivalents, and restricted cash or restricted cash equivalents and when there are direct cash receipts into restricted cash or restricted cash equivalents or direct cash payments made from restricted cash or restricted cash equivalents.

The amendments in ASU 2016-18 require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 does not provide a definition of restricted cash or restricted cash equivalents.

Effective Dates:

- Effective for public business entities including not-for profit entities that are conduit bond obligors for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years.
- For all other entities, for fiscal years beginning after December 15, 2018 and interim periods beginning after December 15, 2019.
- Early adoption is permitted.
- The amendments in ASU 2016-18 should be applied using a retrospective transition method to each period presented.

The financial statements have been updated to include the effects of ASU 2016-18.

On the Horizon

Leases

On February 25, 2016, the FASB issued ASU 2016-02 on leases ("ASU 2016-02"). The core principle of the ASU is that a lessee should recognize the assets and liabilities that arise from leases on their statement of financial position. Consequently, all leases that were classified as operating leases under prior lease guidance will now be recognized as assets and liabilities, initially measured at the present value of the lease payments. The lessee will recognize a single lease cost in its statement of activities calculated so that the cost of the lease is allocated over the lease term, typically on a straight-line basis. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election to not recognize such leases as assets and liabilities in their statement of financial position. The accounting applied by a lessor entity is largely unchanged from prior lease guidance.

For public business entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years; for nonpublic business entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted for all entities.

In November 2019, the FASB unanimously approved an additional delay for private companies, including most not-for-profit companies, to postpone the required implementation date by one year. Accordingly, private companies, including most not-for profit organizations, will be required to implement ASU 2016-02 in financial statements for years beginning on or after December 15, 2020. Public business entities, including not-for-profit conduit bond obligors, will continue to be required to adopt ASU 2016-02 as discussed above. Early adoption is still permitted.

On June 3, 2020, the FASB issued ASU 2020-05, which extends the effective date of the lease standard by one year.

Appendix 1

Management Representation Letter

October 7, 2020

PKF O'Connor Davies, LLP
665 Fifth Avenue
New York, NY 10022

This representation letter is provided in connection with your audits of the financial statements of Middle Village Preparatory Charter School (the "Organization"), 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, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

Expenditures of federal awards were below the $750,000 threshold for the years then ended June 30, 2020 and 2019 and we were not required to have an audit in accordance with *Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards ("Uniform Guidance"), Audits of States, Local Governments and Non-Profit Organizations and Government Auditing Standards*.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter, the following representations made to you during your audits:

Our Responsibilities

- We acknowledge that we have fulfilled our responsibilities for:
  - The preparation and fair presentation of the financial statements in accordance with US GAAP;
  - 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; and
  - The design, implementation, and maintenance of internal control to prevent and detect fraud.

- We understand that the term “fraud” refers to intentional acts by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements. Two types of intentional misstatements are relevant to your audits – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Fraudulent financial reporting involves intentional misstatements, including omissions of amounts or disclosures in financial statements to deceive financial statement users. Misappropriation of assets involves the theft of an entity’s assets.

- In regard to the assistance with preparation of the financial statements and assistance with tax preparation non-attest services performed by you, we have:
  - Assumed all management responsibilities;
  - Designated members who have suitable skill, knowledge, or experience to oversee the services;
  - Evaluated the adequacy and results of the services performed; and
  - Accepted responsibility for the results of the services.

- We are further responsible for reviewing, accepting and processing the standard, adjusting, or correcting journal entries that you proposed during the course of your engagement. We confirm that we designated a suitably qualified individual who understands the nature and impact of the proposed entries to the financial statements, and we accept responsibility for the proposed entries that we authorized and processed.

Financial Statements

- The financial statements referred to above are fairly presented in conformity with US GAAP and include all disclosures necessary for such fair presentation. In that connection, we specifically confirm that:
  - The Organization’s accounting policies, and the practices and methods followed in applying them, are appropriate and are as disclosed in the financial statements.
  - There have been no changes during the period audited in the Organization’s accounting policies and practices.
  - All material transactions have been recorded in the accounting records and are reflected in the financial statements.

- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

- The following, where they exist, have been appropriately disclosed to you and accounted for and/or disclosed in the financial statements in accordance with the requirements of US GAAP:
  - The identity of all related parties and related party relationships and transactions.
  - Material concentrations. We understand that concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which it is reasonably possible that events could occur which would significantly disrupt normal finances within the next year.
  - Guarantees, whether written or oral, under which the Organization is contingently liable, including guarantee contracts and indemnification agreements.
  - The effects of all known actual, possible, pending or threatened litigation, claims, and assessments.

- The Organization does not have any uncertain tax positions that require disclosure or recognition in the financial statements.

- We have evaluated events subsequent to the date of the financial statements through the date of this letter, and no such events have occurred which would require adjustment or disclosure in the financial statements, except for the events of the COVID-19 pandemic as discussed in the notes to the financial statements.

- We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Organization's accounts.

Information Provided

- We have provided you with:
  - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - Access to all minutes of the meetings of trustees, or summaries of actions of recent meetings for which minutes were not yet prepared.
  - Communications from regulatory agencies concerning noncompliance with or deficiencies in, financial reporting practices.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.

- We have disclosed to you our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- There are no deficiencies in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the Organization's ability to initiate, authorize, record, process, and report financial data reliably in accordance with US GAAP.

- We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.

- We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, regulators, or others.

- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

- The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

- The Organization is an exempt organization under Section 501 (c) (3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

- We have a reasonable basis for the allocation of functional expenses.

- We have analyzed all cash accounts for proper presentation and classification of restricted cash on the statements of cash flows in accordance with ASU 2016-18.

- The Organization has adequately reported all known asserted and unasserted claims and incidents. These claims and incidents have no material impact on the financial statements.

- We have complied with all restrictions on resources and all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Hosting Services

We acknowledge that electronic portals used during the audit are only a method of transferring data and the data may be deleted by you at any time.

We are responsible for maintaining our financial and non-financial information, licensing and hosting of any applications, and downloading and retaining anything you uploaded to such portal in a timely manner.

____

Josephine Lume, Chairperson

____

Christian Quezada, Director of Operations

Appendix 2

Corrected Misstatements

Corrected Misstatements are as follows:

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 201			
to reclass Prepaid rent from AP to prepaid			
1410	Prepaid Expenses:Prepaid Rent	725,184.00	
2000	Accounts Payable		725,184.00
Total		**725,184.00**	**725,184.00**
Adjusting Journal Entries JE # 202			
to adjust activity for investments			
5550	Interest Income	120,684.00	
5701	Realized and unrealized gains/losses on investments	48,366.00	
1017	Cash Accounts:Wells Fargo-CD		7,061.00
5700	Interest and dividend income		154,822.00
7181	General & Administrative:Bank Charges		250.00
7220	Professional Services:Administrative Fees		6,917.00
Total		**169,050.00**	**169,050.00**
Adjusting Journal Entries JE # 203			
To reclass state food revenue to federal			
5515	Food Service Revenue:Food Service Revenue - State Subsidies	17,617.00	
5510	Food Service Revenue:Food Service Revenue - Federal Subsidies		17,617.00
Total		**17,617.00**	**17,617.00**

Appendix 3

About PKF O'Connor Davies, LLP

FIRM OVERVIEW

Founded in 1891, PKF O'Connor Davies has evolved from an accounting firm to a corps of high-caliber professionals that delivers to a global and growing client base a complete range of audit, tax and advisory services as well as insights and expertise at the highest level. As our business has grown, our commitment to active value creation has allowed us to connect our clients to sound business advice, key players and resources across diverse industries.

An Acknowledged Global Leader

Not only are we one of the nation's most rapidly growing accounting and advisory firms, we are also the lead North American firm in the growing PKF global network of independent accounting and advisory firms. This enables us to provide clients with preferred access to top- tier experts and firms in over 400 locations, in 150 countries around the world. It also establishes us as the primary referral point for international businesses with needs in North America, an advantage for our domestic clients seeking connections outside the U.S.

Active Partner Involvement Dedicated Engagement Teams

We have built strong relationships with our clients by being proactive, thorough and efficient. Firm partners are involved in the day-to-day management of engagements, ensuring a high degree of client service and cost effectiveness. Multi-disciplinary teams ensure solutions are customized to address specific needs and integrated for greater efficiency.

A Higher Standard: Beyond Passive Value Calculation to Active Value Creation

Our focus on value has driven our growth, propelling PKF O'Connor Davies to the Top 29 on *Accounting Today*'s 2018 "Top 100 Firms" list and gaining us acclaim as one of the country's fastest-growing firms. With unmatched client focus, we unlock genuine value hidden at key connection points in every engagement within regional, national and international arenas. Through these connections, our team of specialists continually drives efficiencies, uncovers opportunities and manages risk – delivering value where others can't.

Industry Recognition

- **Ranked 27 of "2020's Top 100 Firms"**
  – *Accounting Today,* 2020
- **Ranked 7 of the "Top Firms in the Mid-Atlantic"**
  – *Accounting Today,* 2020
- **Ranked 10 of "New Jersey's Top Accounting Firms"**
  – *NJBIZ,* 2019
- **"Tax Advice Award"**
  – *Family Wealth Report Awards,* 2018
- **"Best Multi-Family Office Client Service Over $10 Billion"**
  – *Private Asset Management Awards,* 2020
- **Ranked #1 Best Accounting Internship**
  – *Vault,* 2020
- **"Best Reporting Solution Award"**
  – *Private Asset Management Awards,* 2016
- **"Best Places to Work in New Jersey"**
  – *NJBIZ,* 2019
- **Ranked 13 of the 50 "Best Accounting Employers to Work for in North America"**
  – *Vault,* 2021

Agility, Responsiveness and Recognition

Since our founding, PKF O'Connor Davies has maintained its commitment to gaining a deep understanding of each client's operations and financial history in order to help meet their every challenge and objective. We fulfill this mission by providing resources that match those of larger firms in scope – but with the agility only a mid-sized firm such as ours can demonstrate…and yet, we still rank among them. Our services include:

Accounting and Assurance Services

- Accounting Outsourcing
- Agreed-Upon Procedures (AUPs)
- Audits, Reviews and Compilations
- Employee Benefit Plans
- Government Entity Audits & Compliance
- International Financial Reporting Standards (IFRS)
- IT Audit & Cybersecurity Reviews
- Public Company Accounting Oversight Board (PCAOB)
- Public Sector Audits and Compliance

International Services

- China Desk
- General Data Protection Regulation (GDPR)

Tax Compliance and Planning Services

- Employee Benefit Planning & Tax Compliance
- International Tax Services
- IRS Representation & Tax Controversies
- Personal Financial Planning
- Private Foundation Services
- State and Local Tax (SALT)
- Tax Compliance & Reporting
- Tax-Exempt Organizations
- Tax Research and Strategic Planning
- Trust and Estate Planning

Advisory Services

- Bankruptcy & Restructuring
- Cybersecurity Advisory Services
- Digital Forensic Services
- Forensic, Litigation and Valuation Services
- Management Advisory Services
- Risk Advisory Services
- Specialty Industry Advisory Services
  – Employee Benefit Plan Services
  – Entrepreneurial Business Advisory Solutions
  – Public Sector Advisory Services
  – Healthcare Advisory Services
  – Hospitality Advisory Services
  – Medical and Dental Advisory Services
- Transaction & Financial Advisory Services
- Wealth Services

Family Office Services

- Accounting & Reporting
- Advisory
- Charitable Giving
- Investment Monitoring & Oversight
- Lifestyle Support
- Personal Financial Management
- Tax Planning
- Wealth Planning

We offer an exceptional breadth of advisory services across diverse industries and sectors.

Bethesda, MD | Cranford, NJ | Harrison, NY | Livingston, NJ | New York, NY | Newburgh, NY (Fostertown Road &254 Route 17K) | Providence, RI | Shelton, CT | Stamford, CT | Wethersfield, CT | Woodcliff Lake, NJ

Appendix 4

Podcasts

Our podcast series enables board members and professionals to stay current on a range of topics relating to governance, financial and business management.

Access these podcasts on our website and listen to them at your convenience.

Visit www.pkfod.com/media/podcasts/.

This is a sample of one of our podcasts.

Let us know what other topics you'd like us to cover.
Email Ron DeSoiza at
rdesoiza@pkfod.com