



# Peninsula Preparatory Academy Charter School

611 Beach 19<sup>th</sup> Street, Far Rockaway, NY 11691~PH: (347) 403-9231~Fax: (718) 318-2581 –Karen Jones~ Principal

*Pride ~ Perseverance ~ Achievement ~ Character ~ Success*

October 29, 2020

NCheng LLP  
40 Wall Street, 32<sup>nd</sup> Floor  
New York, New York 10005

This representation letter is provided in connection with your audit of the financial statements of Peninsula Preparatory Academy 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, 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 (U.S. 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.

We confirm, to the best of our knowledge and belief, as of October 29, 2020, the following representations made to you during your audit.

## **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 12, 2020 including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Peninsula Preparatory Academy Charter School's accounts.

### Board of Trustees:

Betty Leon, Esq. – *Chairperson*

Doretha McFadden – *Vice-Chairperson*

Jacqueline Burton Waal – *Secretary*, Sylvester Okonkwo – *Member*,

Kevin Alexander – *Member*, Brandon Jefferies – *Member*, Malik Sanders – *Member*, Michelle Burchette – *PTO President*

[www.peninsulaprep.org](http://www.peninsulaprep.org)



# **Peninsula Preparatory Academy Charter School**

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- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

## **Information Provided**

- 12) We have provided you with:
  - a) 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.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the Peninsula Preparatory Academy Charter School from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects Peninsula Preparatory Academy Charter School and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 17) 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.
- 18) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 19) We have disclosed to you the identity of the Peninsula Preparatory Academy Charter School's related parties and all the related party relationships and transactions of which we are aware.
- 20) Peninsula Preparatory Academy Charter School 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.

### Board of Trustees:

Betty Leon, Esq. – *Chairperson*

Doretha McFadden – *Vice-Chairperson*

Jacqueline Burton Waal – *Secretary*, Sylvester Okonkwo – *Member*,

Kevin Alexander– *Member*, Brandon Jefferies –*Member*, Malik Sanders– *Member*, Michelle Burchette– *PTO President*

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# Peninsula Preparatory Academy Charter School

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- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 22) Peninsula Preparatory Academy Charter School 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.

Signature: \_\_\_\_\_  
Karen Jones – Principal

Signature: \_\_\_\_\_  
Jason Pierre – COO

Board of Trustees:

Betty Leon, Esq. – *Chairperson*

Doretha McFadden – *Vice-Chairperson*

Jacqueline Burton Waal – *Secretary*, Sylvester Okonkwo – *Member*,

Kevin Alexander – *Member*, Brandon Jefferies – *Member*, Malik Sanders – *Member*, Michelle Burchette – *PTO President*

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**PENINSULA PREPARATORY ACADEMY  
CHARTER SCHOOL**

**Financial Statements**

For the years ended June 30, 2020 and 2019

**PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL**

**Financial Statements**

June 30, 2020 and 2019

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## **Independent Auditors' Report**

To the Board of Trustees of  
Peninsula Preparatory Academy Charter School

### **Report on the financial statements**

We have audited the accompanying financial statements of Peninsula Preparatory Academy Charter School, which comprise the statements of financial position as of Peninsula Preparatory Academy Charter School 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Peninsula Preparatory Academy 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 29, 2020, on our consideration of Peninsula Preparatory Academy 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 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 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 Peninsula Preparatory Academy Charter School's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "NChang, LLP". The signature is written in a cursive, slightly slanted style.

New York, New York  
October 29, 2020

**PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL**

**Statements of Financial Position**

As of June 30,

	<u>2020</u>	<u>2019</u>
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash	\$ 502,890	\$ 574,804
Grants and other receivables	287,802	177,154
Prepaid expenses	13,437	24,382
	<u>804,129</u>	<u>776,340</u>
Total current assets		
	<u>804,129</u>	<u>776,340</u>
<b>Property and equipment, net - Note 4</b>	161,681	218,476
<b>Other assets</b>		
Reserve contingency	75,476	75,462
Security deposits	47,778	47,778
	<u>123,254</u>	<u>123,240</u>
Total assets	<u>\$ 1,089,064</u>	<u>\$ 1,118,056</u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 202,808	\$ 298,557
Accrued salaries and other payroll-related expenses - Note 5	429,262	430,082
Deferred revenue	-	9,261
	<u>632,070</u>	<u>737,900</u>
Total current liabilities		
	<u>632,070</u>	<u>737,900</u>
<b>Net assets without donor restrictions</b>		
Undesignated	381,518	304,694
Reserve contingency	75,476	75,462
	<u>456,994</u>	<u>380,156</u>
Total net assets without donor restrictions		
	<u>456,994</u>	<u>380,156</u>
Total liabilities and net assets without donor restrictions	<u>\$ 1,089,064</u>	<u>\$ 1,118,056</u>

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



**PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL****Statements of Activities**

For the years ended June 30,

	<u>2020</u>	<u>2019</u>
<b><u>Operating revenue and other support</u></b>		
<b>State and local per pupil operating revenue</b>		
General education	\$ 5,087,989	\$ 4,787,861
Special education	<u>659,247</u>	<u>405,842</u>
Total state and local per pupil operating revenue	<u>5,747,236</u>	<u>5,193,703</u>
<b>Grants, contracts and other support</b>		
State and local	643,443	658,861
Federal	337,994	171,640
Contributions and other	<u>6,606</u>	<u>26,734</u>
Total grants, contracts and other support	<u>988,043</u>	<u>857,235</u>
Total operating revenue and other support	<u>6,735,279</u>	<u>6,050,938</u>
<b><u>Expenses</u></b>		
<b>Program expenses</b>		
Regular education	4,331,483	4,230,149
Special education	<u>1,232,845</u>	<u>1,160,940</u>
Total program expenses	<u>5,564,328</u>	<u>5,391,089</u>
<b>Supporting services</b>		
Management and general	<u>1,094,113</u>	<u>889,625</u>
Total supporting services	<u>1,094,113</u>	<u>889,625</u>
Total program and supporting services expenses	<u>6,658,441</u>	<u>6,280,714</u>
Change in net assets	76,838	(229,776)
Net assets without restrictions - beginning of year	<u>380,156</u>	<u>609,932</u>
Net assets without restrictions - end of year	<u>\$ 456,994</u>	<u>\$ 380,156</u>

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

**PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL**

**Statement of Functional Expenses**

For the year ended June 30, 2020

	Program services			Supporting services	Total Program
	Regular	Special	Total	Management and	and Supporting
	education	education	programs	general	services
<b>Salaries</b>					
Instructional personnel	\$ 2,381,547	\$ 716,504	\$ 3,098,051	\$ -	\$ 3,098,051
Administrative staff personnel	172,279	28,598	200,877	500,008	700,885
Total salaries	<u>2,553,826</u>	<u>745,102</u>	<u>3,298,928</u>	<u>500,008</u>	<u>3,798,936</u>
<b>Operating expenses</b>					
Payroll taxes and fringe benefits	616,524	179,877	796,401	120,708	917,109
Retirement benefits	33,031	9,637	42,668	6,467	49,135
Professional fees	5,961	968	6,929	290,234	297,163
Office expense	46,023	13,428	59,451	9,010	68,461
Insurance	30,922	9,022	39,944	6,054	45,998
Maintenance and repairs	150,696	43,967	194,663	29,505	224,168
Equipment and furnishings	12,396	3,617	16,013	2,426	18,439
Rent	389,660	113,687	503,347	76,290	579,637
Utilities	36,829	10,745	47,574	7,211	54,785
Staff development	39,918	8,975	48,893	4,543	53,436
Advertising and recruitment	8,245	1,599	9,844	394	10,238
Student services	27,090	4,397	31,487	-	31,487
Instruction supplies and materials	63,475	10,304	73,779	-	73,779
Technology and communication	52,846	15,418	68,264	10,347	78,611
Food service	115,393	18,732	134,125	-	134,125
Depreciation	148,648	43,370	192,018	29,103	221,121
Other expenses	-	-	-	1,813	1,813
Total operating expenses	<u>1,777,657</u>	<u>487,743</u>	<u>2,265,400</u>	<u>594,105</u>	<u>2,859,505</u>
Total expenses	<u>\$ 4,331,483</u>	<u>\$ 1,232,845</u>	<u>\$ 5,564,328</u>	<u>\$ 1,094,113</u>	<u>\$ 6,658,441</u>

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

**PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL**

**Statement of Functional Expenses**

For the year ended June 30, 2019

	Program services			Supporting services	Total Program and Supporting services
	Regular education	Special education	Total programs	Management and general	
<b>Salaries</b>					
Instructional personnel	\$ 2,136,935	\$ 620,101	\$ 2,757,036	\$ -	\$ 2,757,036
Administrative staff personnel	189,176	31,953	221,129	427,862	648,991
Total salaries	<u>2,326,111</u>	<u>652,054</u>	<u>2,978,165</u>	<u>427,862</u>	<u>3,406,027</u>
<b>Operating expenses</b>					
Payroll taxes and fringe benefits	682,196	191,232	873,428	125,482	998,910
Retirement benefits	56,864	15,941	72,805	10,459	83,264
Professional fees	32,749	4,412	37,161	139,381	176,542
Office expense	49,174	13,785	62,959	9,045	72,004
Insurance	28,013	7,852	35,865	5,153	41,018
Maintenance and repairs	200,029	56,073	256,102	36,793	292,895
Equipment and furnishings	676	189	865	124	989
Rent	319,863	89,665	409,528	58,835	468,363
Utilities	57,880	16,225	74,105	10,646	84,751
Staff development	29,535	6,879	36,414	6,285	42,699
Advertising and recruitment	13,513	3,788	17,301	2,486	19,787
Student services	19,290	2,484	21,774	-	21,774
Instruction supplies and materials	103,985	13,390	117,375	-	117,375
Technology and communication	47,087	13,200	60,287	8,661	68,948
Depreciation	261,954	73,431	335,385	48,184	383,569
Other expenses	1,230	340	1,570	229	1,799
Total operating expenses	<u>1,904,038</u>	<u>508,886</u>	<u>2,412,924</u>	<u>461,763</u>	<u>2,874,687</u>
Total expenses	<u>\$ 4,230,149</u>	<u>\$ 1,160,940</u>	<u>\$ 5,391,089</u>	<u>\$ 889,625</u>	<u>\$ 6,280,714</u>

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

**PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL**

**Statements of Cash Flows**

For the years ended June 30,

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 76,838	\$ (229,776)
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	221,121	383,569
Changes in operating assets and liabilities		
Grants and other receivables	(110,648)	16,481
Prepaid expenses	10,945	(2,699)
Accounts payable and accrued expenses	(95,749)	(51,440)
Accrued salaries and other payroll-related benefits	(820)	43,694
Deferred revenue	(9,261)	-
Deferred rent	-	(9,471)
Net cash provided by operating activities	<u>92,426</u>	<u>150,358</u>
<b>Cash flows from investing activities</b>		
Reserve contingency	(14)	(17)
Acquisition of fixed assets	<u>(164,326)</u>	<u>(114,669)</u>
Net cash used in investing activities	<u>(164,340)</u>	<u>(114,686)</u>
Net (decrease)/increase in cash	(71,914)	35,672
Cash - beginning of year	<u>574,804</u>	<u>539,132</u>
Cash - end of year	<u><u>\$ 502,890</u></u>	<u><u>\$ 574,804</u></u>

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

# PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL

## Notes to the Financial Statements

June 30, 2020 and 2019

### Note 1 Organization

Peninsula Preparatory Academy Charter School (the “School”), a 501(c)(3) tax-exempt organization, is a public charter school located in Far Rockaway, New York. The School’s charter was renewed in 2019 for an additional five years. The school operated classes from kindergarten to fifth grades until August 2017, when pre-kindergarten classes were added. The mission of the School is to create a challenging, technology-rich learning environment in which the cornerstone of high expectations and focused instruction guarantee that every child, including those at-risk, succeeds academically. Enrollment in available class slots is open to all potential student candidates, with those residing in the immediate area given first preference. A lottery is held to award these available slots.

### Note 2 Summary of significant accounting policies

**Basis of presentation and use of estimates.** The financial statements have been prepared in conformity 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. Actual results could differ from those estimates.

**Cash.** The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

**Grants and other receivables.** Grants receivable are recorded at net realizable value. The allowance for doubtful accounts are the School's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability, Grant receivables are \$287,802 and \$177,154 at June 30, 2020 and 2019, respectively. No allowance was recorded at June 30, 2020 and 2019 as management believes all amounts are collectible.

**Donated Goods and Services.** The New York City Department of Education provides free lunches directly to some of the School’s students. Such costs are not included in these financial statements. The School covers the unreimbursed cost of lunches for children not entitled to free lunches. The office of Pupil Transportation provides free transportation to the majority of the students during the district’s school days.

**Reserve contingency.** Reserve contingency relates to required reserve and escrow accounts that are required to be maintained by the School in accordance with charter requirements.

# PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL

## Notes to the Financial Statements

June 30, 2020 and 2019

### Note 2 Summary of significant accounting policies - (continued)

**Financial statements presentation.** The financial statements of the School follows the accounting standard for not-for-profit organization, which require the School to report information regarding its statements of financial position and statements of activities according to the following net asset classifications:

**Net assets without donor restrictions.** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School.

**Net assets with donor restrictions.** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Revenue recognition.** The School recognizes revenue from the state and local governments based on the School's charter status and the number of students enrolled. Such revenue is recorded when services are performed in accordance with the charter agreement. The New York State Department of Education mandates the rate per pupil. Such revenue is recognized ratably over the related school year in which it is earned.

Grants and contracts revenue is recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance or any unspent funds for which qualifying expenditures have not been incurred are recorded as refundable advances. Any unspent amounts might be returned to the granting agency or the granting agency can approve that those amounts be applied to a future grant period.

**Refundable advances.** Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying statements of financial position.

**Reclassifications.** Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financials. These reclassifications have no effect on the changes in net asset.

**PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL**

**Notes to the Financial Statements**

June 30, 2020 and 2019

**Note 2 Summary of significant accounting policies - (continued)**

**Property, plant and equipment.** Property, plant and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. The School capitalizes additions and significant improvements in excess of \$1,000. Items with an acquisition cost of less than \$1,000 or a useful life of less than one year are expensed in the year purchased. Depreciation is computed using the straight-line method over estimated useful lives of the respective assets.

The estimated depreciable lives of the different classes of property are as follows:

<u>Asset</u>	<u>Useful life</u>
Furniture and fixtures	7 years
Leasehold improvements	2-7 years
Machinery & equipment	3-7 years
Computer & Office equipment	3 years

**Income taxes.** The School has received its tax-exempt status from the Internal Revenue Service (IRS), under Section 501(c)(3) of the Internal Revenue Code (IRC), and is classified as a publicly supported organization, under IRC sections 509(A)(1) and 170(B)(1)(A)(I1).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2020, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the financial statements.

The School is no longer subject to income tax examination by tax authorities for years before June 30, 2017.

**Functional expenses.** The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services, administrative and fund raising. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Salaries	Time and effort
Payroll taxes and fringe benefits	Time and effort
Professional fees	Time and effort
Insurance	Square footage
Maintenance and repairs	Time and effort
Rent	Square footage

**PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL**

**Notes to the Financial Statements**

June 30, 2020 and 2019

**Note 2 Summary of significant accounting policies - (continued)**

**Recently adopted accounting pronouncements.** On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for Profit Entities*. The update addresses the complexity and understandability of net asset classification, efficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash*, which requires restricted cash to be included within cash and cash equivalents when explaining the total change in cash for the period within the statement of cash flows. The standard requires retrospective application and represents a change in accounting principal. The adoption of ASU 2016-18 did not have an impact on the School’s financial statements.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional or unconditional. The School implemented the provisions of ASU 2018-08 applicable to contributions received in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

**Note 3 Liquidity and availability**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of June 30, are:

Financial assets:	<u>2020</u>	<u>2019</u>
Cash	\$ 502,890	\$ 574,804
Grants and other receivables	<u>287,802</u>	<u>177,154</u>
Amount available for general expenditures within one year	<u>\$ 790,692</u>	<u>\$ 751,958</u>



**PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL**

**Notes to the Financial Statements**

June 30, 2020 and 2019

**Note 4 Property and equipment**

Property and equipment consisted of the following at June 30,:

	2020	2019
Leasehold improvements	\$ 1,751,469	\$ 1,609,739
Furniture and fixtures	230,607	230,607
Computer equipment	17,161	17,161
Office equipment	262,188	252,066
Machinery and equipment	403,189	390,715
	<u>2,664,614</u>	<u>2,500,288</u>
Less: accumulated depreciation	<u>(2,502,933)</u>	<u>(2,281,812)</u>
Total	<u>\$ 161,681</u>	<u>\$ 218,476</u>

**Note 5 Accrued salaries and other payroll-related expenses**

Accrued payroll and benefits consist of amounts earned by the staff during the school year that is paid out over the summer months. As of June 30, 2020 and 2019, total accrued salaries and other payroll-related expenses amounted to \$429,262 and \$430,082, respectively.

**Note 7 Retirement plan**

The School offers a 401(k) plan for all employees. Employees are eligible for the plan immediately upon employment and participation in the plan is voluntary. Employees can make pretax contributions, up to IRS limits for each calendar year. The School matches the employee contribution up to 4% of the employee's annual compensation. For the years ended June 30, 2020 and 2019, the School's matching contribution was \$49,135 and \$83,264, respectively. Such plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

**Note 8 Concentration of credit and revenue risks**

**Credit risk.** The School maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The School believes it is not exposed to significant credit risk on cash and cash equivalents.

**Revenue risk.** The School received approximately 85% and 86% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York City Department of Education during the years ended June 30, 2020 and 2019, respectively. Additionally, the School's grants receivable consists of approximately 92% and 88%, respectively, from the New York State Department of Education and the Federal Title grants.

# **PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL**

## **Notes to the Financial Statements**

June 30, 2020 and 2019

### **Note 9 Contingency**

The School participates in a number of federal and state programs. These programs require that the School comply with certain requirements of laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

### **Note 10 Support services**

The School entered into an agreement, which renews annually, with a third party service to provide assistance with accounting and bookkeeping, financial reporting and budgeting, and grant financial management. For the years ended June 30, 2020 and 2019, fees under this agreement amounted to \$111,464 and \$115,179, respectively.

### **Note 11 Rent**

The School has an operating lease for its facilities which expired on June 30, 2019 and is currently on a month to month rental agreement with the landlord. As of June 30, 2020 and 2019, rent expenses amounted to \$579,637 and \$468,363, respectively.

### **Note 12 Potential impact of the pandemic**

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. As a result of the pandemic, the School will begin the 2020-2021 school year with a completely remote learning. Parents are only offered to register their children for distance learning. The ultimate effect of COVID-19 on the School and its future operations cannot presently be determined.

### **Note 13 Subsequent events**

Management has evaluated subsequent events through October 29, 2020, the date that the financial statements were available to be issued. Based on this evaluation, management has determined that no subsequent events have occurred which require disclosure in the financial statements.

## **Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Trustees of  
Peninsula Preparatory Academy Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Peninsula Preparatory Academy Charter 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 29, 2020.

### **Internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered Peninsula Preparatory Academy Charter 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 Peninsula Preparatory Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Peninsula Preparatory Academy Charter 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 Peninsula Preparatory Academy Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "NChang LLP".

New York, New York  
October 29, 2020

# Peninsula Preparatory Academy Charter School

## Budget Overview: PPACS FY21 Budget - FY21 P&L

July 2020 - June 2021

	Total
<b>Income</b>	
<b>4100 State Grants</b>	
4101 Per Pupil Aid - General Education	5,159,360.00
4102 Per Pupil Aid - Special Education	623,420.00
4103 NYSTL	19,712.00
4104 NYSSL	5,056.00
4105 NYSLIB	2,112.00
4106 UPK	539,500.00
4107 State Food Reimbursement	6,348.30
4110 Other State Grants	48,000.00
<b>Total 4100 State Grants</b>	<b>\$ 6,403,508.30</b>
<b>4200 Federal Grants</b>	
4201 Title I	85,289.00
4203 Title IIA	15,084.00
4207 IDEA	24,500.00
4208 Federal Food Reimbursement	253,576.70
4209 E-Rate	17,870.68
<b>Total 4200 Federal Grants</b>	<b>\$ 396,320.38</b>
<b>4400 Miscellaneous Income</b>	
4402 Misc. Income	8,500.00
<b>Total 4400 Miscellaneous Income</b>	<b>\$ 8,500.00</b>
<b>Total Income</b>	<b>\$ 6,808,328.68</b>
<b>Gross Profit</b>	<b>\$ 6,808,328.68</b>
<b>Expenses</b>	
<b>5000 Compensation</b>	
<b>5100 Administrative Staff</b>	
5101 Administration	427,439.74
5102 Operational Support	177,192.08
5104 Security Personnel	34,000.00
5105 Cafeteria Staff	87,999.86
<b>Total 5100 Administrative Staff</b>	<b>\$ 726,631.68</b>
<b>5200 Instructional Staff</b>	
5201 Classroom Teachers	684,574.70
5202 Special Education Teachers	429,700.46
5203 Teacher Assistants	417,027.16
5204 Specialists	467,893.14
5205 Pupil Services	270,787.14
5206 Academic Coach	249,842.58
5207 Academic Support Services	329,058.08
5208 UPK Staff	269,399.52
<b>Total 5200 Instructional Staff</b>	<b>\$ 3,118,282.78</b>

<b>Total 5000 Compensation</b>	<b>\$</b>	<b>3,844,914.46</b>
<b>5400 Benefits</b>		
5402 NY State Unemployment Insurance		23,760.00
5404 Social Security - EmployER		238,384.70
5406 Medicare - EmployER		55,751.26
5412 401K Fees		3,000.00
5413 401K Employer Match		43,832.02
5423 Local W/H Tax		14,000.00
<b>Total 5400 Benefits</b>	<b>\$</b>	<b>378,727.98</b>
<b>5500 Insurances</b>		
5501 Medical		448,538.00
5504 Workers Compensation		20,000.00
5505 Disability		10,504.49
5506 Life Insurance		7,648.02
<b>Total 5500 Insurances</b>	<b>\$</b>	<b>486,690.51</b>
<b>6100 Administrative Expenses</b>		
6101 Office Supplies		20,000.00
6102 Postage & Delivery		2,500.00
6104 Equipment Lease		55,512.00
6106 Team Building/Staff Lunches & Appreciation		17,000.00
6107 Staff Travel/Transportation		5,500.00
6109 Student Meals/Food Service		190,400.00
6111 Subscriptions & Dues		7,500.00
6112 Non-capitalized Furniture & Fixtures		2,500.00
6113 Non-capitalized Software		1,000.00
6115 Non-Capitalized Equipment		1,000.00
<b>Total 6100 Administrative Expenses</b>	<b>\$</b>	<b>302,912.00</b>
<b>6120 General Insurances</b>		
6121 General Liability		48,000.00
<b>Total 6120 General Insurances</b>	<b>\$</b>	<b>48,000.00</b>
<b>6200 Professional Services</b>		
6201 Audit/Accounting Services		19,000.00
6202 Payroll Services		138,000.00
6203 Financial Management Services		118,000.00
6205 Legal Services - paid		1,000.00
6207 Temporary Staff & Substitutes		5,000.00
6210 Other Consultants		24,000.00
<b>Total 6200 Professional Services</b>	<b>\$</b>	<b>305,000.00</b>
<b>6300 Professional Development</b>		
6301 Instructional Staff PD		15,000.00
6302 Non-Instructional Staff PD		2,500.00
6303 Board Development		2,500.00
<b>Total 6300 Professional Development</b>	<b>\$</b>	<b>20,000.00</b>
<b>6400 Marketing and Staff/Student Recruitment</b>		
6401 Student Recruitment		6,500.00
6402 Staff Recruitment		10,000.00
<b>Total 6400 Marketing and Staff/Student Recruitment</b>	<b>\$</b>	<b>16,500.00</b>

<b>7100 Curriculum &amp; Classroom Expenses</b>		
7101 Classroom Supplies		30,000.00
7102 Textbooks & Materials		15,000.00
7103 NYSTL Expense		19,712.00
7104 NYSSL Expense		5,056.00
7105 NYSLIBL Expense		2,112.00
7106 Classroom Libraries		5,000.00
7107 Assessment Expenses		6,500.00
7108 Field Trips		5,000.00
7109 Assemblies & Programs		12,000.00
7110 Teacher Classroom Stipends		5,000.00
7111 Other Direct Educational Expenses		16,424.40
<b>Total 7100 Curriculum &amp; Classroom Expenses</b>	<b>\$</b>	<b>121,804.40</b>
<b>8100 Facility</b>		
8101 Rent		579,637.08
8102 Utilities		91,884.73
8103 Repairs/Maintenance/Supplies		207,792.00
8104 Security		960.00
<b>Total 8100 Facility</b>	<b>\$</b>	<b>880,273.81</b>
<b>8200 Technology/Communication</b>		
8201 Telephone		600.00
8202 Mobile Phone		9,900.00
8203 Internet Connectivity		17,880.00
8204 Technology Supplies		5,000.00
8205 Technology Services		42,625.00
<b>Total 8200 Technology/Communication</b>	<b>\$</b>	<b>76,005.00</b>
<b>8800 Miscellaneous Expenses</b>		
8801 Interest/Late Charges		200.00
8802 Bank Service Charges		2,500.00
<b>Total 8800 Miscellaneous Expenses</b>	<b>\$</b>	<b>2,700.00</b>
<b>8900 Depreciation Expense</b>		250,000.00
<b>Total Expenses</b>	<b>\$</b>	<b>6,733,528.16</b>
<b>Net Operating Income</b>	<b>\$</b>	<b>74,800.52</b>
<b>Net Income</b>	<b>\$</b>	<b>74,800.52</b>

Friday, Oct 30, 2020 10:31:03 AM GMT-7 - Accrual Basis



JPMorgan Chase Bank, N.A.  
 P O Box 182051  
 Columbus, OH 43218-2051

May 30, 2020 through June 30, 2020

Primary Account: [REDACTED]

**CUSTOMER SERVICE INFORMATION**

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 Service Center: 1-877-425-8100  
 Deaf and Hard of Hearing: 1-800-242-7383  
 Para Espanol: 1-888-622-4273  
 International Calls: 1-713-262-1679

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PENINSULA PREPARATORY ACADEMY CHARTER  
 SCHOOL  
 611 BEACH 19TH STREET  
 FAR ROCKAWAY NY 11691

**CONSOLIDATED BALANCE SUMMARY**

**ASSETS**

**Checking**

	OPENING BALANCE	TOTAL CREDITS	TOTAL DEBITS	ENDING BALANCE
PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL				
[REDACTED]	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

**Savings**

	OPENING BALANCE	TOTAL CREDITS	TOTAL DEBITS	ENDING BALANCE
PENINSULA PREPARATORY ACADEMY CHARTER BY PENINSULA PREPARATORY ACADEMY CHARTER				
[REDACTED]	75,475.62	0.65	0.15	75,476.12
CURRENT INTEREST: \$0.65 YTD INTEREST: \$6.86				
<b>Total</b>	<b>\$75,475.62</b>	<b>\$0.65</b>	<b>\$0.15</b>	<b>\$75,476.12</b>
<b>TOTAL ASSETS</b>	<b>\$75,475.62</b>	<b>\$0.65</b>	<b>\$0.15</b>	<b>\$75,476.12</b>

**CLIENT FUNDS CHECKING**

PENINSULA PREPARATORY ACADEMY CHARTER SCHOOL

Account Number: [REDACTED]

**CHECKING SUMMARY**

	INSTANCES	AMOUNT
Beginning Balance		\$0.00
Ending Balance	0	\$0.00

The monthly service and transaction fees on your Client Funds Accounts have been waived .



**CLIENT FUNDS SAVINGS**

PENINSULA PREPARATORY ACADEMY CHARTER

Account Number: XXXXXXXXXX

BY PENINSULA PREPARATORY ACADEMY CHARTER

BY SCHOOL AGENT

**SAVINGS SUMMARY**

	INSTANCES	AMOUNT
<b>Beginning Balance</b>		<b>\$75,475.62</b>
Deposits and Additions	1	0.65
Other Withdrawals	1	-0.15
<b>Ending Balance</b>	<b>2</b>	<b>\$75,476.12</b>
 Annual Percentage Yield Earned This Period		 0.01%
Interest Paid This Period		\$0.65
Interest Paid Year-to-Date		\$6.86

**TRANSACTION DETAIL**

DATE	DESCRIPTION	AMOUNT	BALANCE
	<b>Beginning Balance</b>		<b>\$75,475.62</b>
06/30	Interest Payment	0.65	75,476.27
06/30	Federal Interest Withheld	-0.15	75,476.12
	<b>Ending Balance</b>		<b>\$75,476.12</b>

**IN CASE OF ERRORS OR QUESTIONS ABOUT YOUR ELECTRONIC FUNDS TRANSFERS:** Call us at 1-866-564-2262 or write us at the address on the front of this statement (non-personal accounts contact Customer Service) immediately if you think your statement or receipt is incorrect or if you need more information about a transfer listed on the statement or receipt.

For personal accounts only: We must hear from you no later than 60 days after we sent you the FIRST statement on which the problem or error appeared. Be prepared to give us the following information:

- Your name and account number
- The dollar amount of the suspected error
- A description of the error or transfer you are unsure of, why you believe it is an error, or why you need more information.

We will investigate your complaint and will correct any error promptly. If we take more than 10 business days (or 20 business days for new accounts) to do this, we will credit your account for the amount you think is in error so that you will have use of the money during the time it takes us to complete our investigation.

**IN CASE OF ERRORS OR QUESTIONS ABOUT NON-ELECTRONIC TRANSACTIONS:** Contact the bank immediately if your statement is incorrect or if you need more information about any non-electronic transactions (checks or deposits) on this statement. If any such error appears, you must notify the bank in writing no later than 30 days after the statement was made available to you. For more complete details, see the Account Rules and Regulations or other applicable account agreement that governs your account. Deposit products and services are offered by JPMorgan Chase Bank, N.A. Member FDIC



JPMorgan Chase Bank, N.A. Member FDIC