

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Rochdale Early Advantage Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Rochdale Early Advantage Charter School (the "School"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

An independent member of Baker Tilly International



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rochdale Early Advantage Charter School as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2019, on our consideration of Rochdale Early Advantage Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Rochdale Early Advantage Charter School's internal control over financial reporting and compliance.

MBAF CPAs, LLC

New York, NY
October 21, 2019

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

ASSETS	2019	2018
Cash	\$ 2,785,105	\$ 1,956,168
Cash - restricted	100,200	100,190
Grants and other receivables	64,191	150,019
Prepaid expenses and other assets	7,500	7,500
Property and equipment, net	144,163	132,351
Construction in progress - deposit	1,500,000	1,500,000
TOTAL ASSETS	\$ 4,601,159	\$ 3,846,228
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 126,423	\$ 41,190
Accrued salaries and other payroll related expenses	344,036	412,487
Due to NYC Department of Education	13,475	-
	<u>483,934</u>	<u>453,677</u>
NET ASSETS		
Net assets - without donor restrictions	4,054,643	3,392,551
Net assets - with donor restrictions	62,582	-
	<u>4,117,225</u>	<u>3,392,551</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 4,601,159	\$ 3,846,228

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

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
OPERATING REVENUE WITHOUT DONOR RESTRICTIONS		
State and local per pupil operating revenue	\$ 5,483,289	\$ 5,329,681
Federal grants	134,822	151,935
State grants	22,897	16,213
	<u>5,641,008</u>	<u>5,497,829</u>
EXPENSES		
Program		
General education	3,408,039	2,991,008
Special education	1,037,920	961,163
Management and general	475,404	828,625
Fundraising	59,174	63,257
	<u>4,980,537</u>	<u>4,844,053</u>
EXCESS FROM SCHOOL OPERATIONS	<u>660,471</u>	<u>653,776</u>
SUPPORT AND OTHER INCOME		
Refund from construction company	-	200,000
Contributions, grants and other income	1,621	20,848
Benefit income, net of direct expenses of \$22,971 for the year ended June 30, 2018	-	9,983
	<u>1,621</u>	<u>230,831</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>662,092</u>	<u>884,607</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	<u>62,582</u>	<u>-</u>
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>62,582</u>	<u>-</u>
CHANGE IN NET ASSETS	724,674	884,607
NET ASSETS - BEGINNING OF YEAR	<u>3,392,551</u>	<u>2,507,944</u>
NET ASSETS - END OF YEAR	<u>\$ 4,117,225</u>	<u>\$ 3,392,551</u>

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

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

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

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

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

FUNCTIONAL EXPENSES	No. of Positions	Program Services			Supporting Services			2018
		General Education	Special Education	Total	Management and General	Fundraising	Total	
Personnel Services Costs								
Administrative staff personnel	4	\$ 88,422	\$ 58,948	\$ 147,370	\$ 132,633	\$ 14,737	\$ 147,370	\$ 294,740
Instructional personnel	37	1,533,447	483,275	2,016,722	-	-	-	2,016,722
Non-instructional personnel	6	-	-	-	376,185	7,677	383,862	383,862
Total salaries and staff	47	1,621,869	542,223	2,164,092	508,818	22,414	531,232	2,695,324
Payroll taxes and employee benefits		456,031	140,317	596,348	91,206	14,032	105,238	701,586
Legal fees		-	-	-	4,135	-	4,135	4,135
Accounting and audit services		-	-	-	65,893	-	65,893	65,893
Professional fees - other		168,516	51,851	220,367	33,703	5,185	38,888	259,255
Rent expense		396,040	120,520	516,560	72,538	13,502	86,040	602,600
Repairs and maintenance		16,923	5,207	22,130	3,385	521	3,906	26,036
Insurance		16,359	5,033	21,392	3,272	503	3,775	25,167
Utilities		9,061	1,600	10,661	1,040	160	1,200	11,861
Supplies / Materials		76,628	23,578	100,206	15,326	2,358	17,684	117,890
Equipment / Furnishings		2,312	711	3,023	462	71	533	3,556
Staff development		29,600	9,108	38,708	5,920	911	6,831	45,539
Student and staff recruitment		13,189	2,603	15,792	1,562	-	1,562	17,354
Technology		25,113	7,727	32,840	5,023	773	5,796	38,636
Student services		72,044	24,015	96,059	-	-	-	96,059
Office expense		15,243	4,690	19,933	3,049	469	3,518	23,451
Depreciation and amortization		51,121	15,730	66,851	10,224	1,573	11,797	78,648
Miscellaneous expense		20,959	6,250	27,209	3,069	785	3,854	31,063
Cost of direct benefit to donors		-	-	-	-	22,971	22,971	22,971
		2,991,008	961,163	3,952,171	828,625	86,228	914,853	4,867,024
Less: direct expenses deducted directly from benefit income in the statement of activities		-	-	-	-	(22,971)	(22,971)	(22,971)
		\$ 2,991,008	\$ 961,163	\$ 3,952,171	\$ 828,625	\$ 63,257	\$ 891,882	\$ 4,844,053

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

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operating revenue	\$ 5,740,311	\$ 5,570,015
Other cash received	64,203	30,831
Refund from construction company	-	200,000
Cash paid to employees and suppliers	<u>(4,888,706)</u>	<u>(4,677,519)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>915,808</u>	<u>1,123,327</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposit of construction in progress	-	(1,500,000)
Purchase of property and equipment	<u>(86,861)</u>	<u>(25,545)</u>
NET CASH USED IN INVESTING ACTIVITIES	(86,861)	(1,525,545)
NET INCREASE (DECREASE) IN CASH	828,947	(402,218)
CASH AND CASH - RESTRICTED - BEGINNING OF YEAR	<u>2,056,358</u>	<u>2,458,576</u>
CASH AND CASH - RESTRICTED - END OF YEAR	<u>\$ 2,885,305</u>	<u>\$ 2,056,358</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 724,674	\$ 884,607
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	75,049	78,648
Changes in operating assets and liabilities:		
Grants and other receivables	85,828	102,255
Accounts payable and accrued expenses	85,233	(18,588)
Accrued salaries and other payroll related expenses	(68,451)	106,474
Due to NYC Department of Education	<u>13,475</u>	<u>(30,069)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 915,808</u>	<u>\$ 1,123,327</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash and cash - restricted consist of:		
Cash	\$ 2,785,105	\$ 1,956,168
Cash - restricted	<u>100,200</u>	<u>100,190</u>
Total	<u>\$ 2,885,305</u>	<u>\$ 2,056,358</u>

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

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

1. NATURE OF THE ORGANIZATION

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

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

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

These classes are defined as follows:

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

Net Assets without Donor Restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions. This net asset category includes both contributions not subject to donor restrictions and exchange transactions, such as state and local per pupil operating revenue.

Cash - Restricted

At June 30, 2019 and 2018, an escrow account of \$100,200 and \$100,190, respectively, is held aside for contingency purposes. The NYCDOE requires that the School maintains an escrow account of at least \$70,000.

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Other Receivables

Grants and other receivables represent amounts due from federal and state grants. Grants and other receivables are expected to be collected within one year, are recorded at net realizable value, and amount to \$64,191 and \$150,019 at June 30, 2019 and 2018, respectively. The School has determined that no allowance for uncollectible accounts for grants and other receivables is necessary at June 30, 2019. Such estimate is based on management's assessments of the creditworthiness of its grantors, the aged basis of its receivables, as well as current economic conditions and historical information.

Revenue Recognition

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

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

Property and Equipment

Property and equipment are stated at cost and are depreciated on the straight-line method over the estimated useful lives of the assets (Note 4). Leasehold improvements are amortized over the lesser of the life of the asset or the period covered by the charter. The School has established a \$1,000 threshold above which assets are evaluated to be capitalized. Property and equipment acquired with certain government contract funds is recorded as an expense pursuant to the terms of the contract in which the government funding source retains ownership of the property. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

Impairments

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized for the years ended June 30, 2019 and 2018.

Advertising

The School expenses advertising costs as incurred. The School incurred \$2,058 of advertising costs for the year ended June 30, 2018. There were no advertising costs for the year ended June 30, 2019.

Functional Allocation of Expenses

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

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The School has evaluated events through October 21, 2019, which is the date the financial statements were available to be issued.

Income Taxes

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

The School files informational returns in its federal jurisdiction. With few exceptions, the School is no longer subject to federal income tax examinations for fiscal years before 2016.

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

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

The School is subject to tax reportable on Form 990T consisting of unrelated business income if they have provided pre-tax transportation benefits to employees.

Adoption of Accounting Pronouncement

Financial Statement Presentation

During the year ended June 30, 2019, the School adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The major changes include, but are not limited to: (a) requiring the presentation of two classes of net assets now titled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations on gifts used to acquire or construct long-lived assets absent explicit donor restrictions otherwise, (d) requiring the presentation of an analysis of expenses by function and nature, (e) requiring the disclosure of information regarding liquidity and availability of resources, and (f) presenting investment return net of external and direct internal investment expenses. In addition, the update removes the requirement that statements of cash flows using the direct method also present a reconciliation consistent with the indirect method. The School has applied the update retrospectively to all periods presented and adjusted the presentation of these financial statements accordingly. As a result, the School reclassified amounts formerly classified as unrestricted net assets to net assets without donor restrictions. The adoption of this update had no other material effect on the School's financial position and changes in net assets. In addition, the School has elected to continue to present a reconciliation in the statement of cash flows consistent with the indirect method.

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standards update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. The School is currently evaluating the effect the update will have on its financial statements.

In June 2018, the FASB issued an accounting standards update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The School is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its financial statements.

In February 2016, the FASB issued an accounting standards update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance-sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements and lessor accounting. The School is currently evaluating the effect the update will have on its financial statements but expects upon adoption that the update will have a material effect on the School's financial condition due to the recognition of a right-of-use asset and related lease liability. The School does not anticipate the update having a material effect on the School's results of operations or cash flows, though such an effect is possible.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the School's presentation of comparative periods in the financial statements will continue to be in accordance with current lease accounting. The School is evaluating the method of adoption it will elect. The update is effective for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021, with early application permitted.

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

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

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES (CONTINUED)

	2019	2018
Cash	\$ 2,785,105	\$ 1,956,168
Cash - restricted	100,200	100,190
Grants and other receivables	64,191	150,019
Total financial assets	2,949,496	2,206,377
Less amounts unavailable for general expenditures within one year due to:		
Restricted by contract with time or purpose	(162,782)	(100,190)
Total financial assets available to management for general expenditures within one year	\$ 2,786,714	\$ 2,106,187

At June 30, 2019 and 2018, the School has no board designated net assets.

4. PROPERTY AND EQUIPMENT

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

	2019	2018	Estimated Useful Lives
Furniture and fixtures	\$ 153,474	\$ 150,175	7 years
Computer hardware and software	289,743	224,488	3 years
Equipment	34,739	34,739	5 years
Software	1,029	1,029	3 years
			Lesser of the life of the asset or the period covered by the charter
Leasehold improvements	437,986	419,679	
	916,971	830,110	
Less: Accumulated depreciation and amortization	(772,808)	(697,759)	
	\$ 144,163	\$ 132,351	

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 was \$75,049 and \$78,648, respectively.

In prior years, the School paid a total of \$560,000 for construction costs, which was put on hold in fiscal year 2015. During the year ended June 30, 2016, the construction project was terminated. \$160,000 of the construction costs was for architect and construction related fees. This amount was expensed during the year ended June 30, 2016. During the year ended June 30, 2017, the School received \$100,000 of the \$400,000 that was due to be refunded from the construction company. During the year ended June 30, 2017, the School wrote off the remaining \$300,000 because it did not expect to receive an additional refund. During the year ended June 30, 2018, however, the School received \$200,000 from the construction company.

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

5. AGREEMENTS FOR SCHOOL FACILITIES

The School entered into a sublease agreement with the New Jerusalem Baptist Church ("NJBC"), effective July 1, 2010. Monthly minimum rental payments under the lease are \$29,000 per month for the term of the lease, which expired on December 31, 2017.

The School amended their lease with NJBC effective January 1, 2018. The School is obligated under a non-cancelable sub-lease for office and classroom space expiring on June 30, 2023. The terms of the new lease includes monthly rental payments of \$58,000 through September 1, 2019, and a security deposit of \$1,500,000 that will be applied towards the cost of acquiring, designing, and constructing property. The School will continue its monthly rental payments until the expected completion date of the renovations and expected occupancy date of the additional space, which is November 2019, in which rental payments will increase to \$75,000 a month. As of June 30, 2019, there are no future construction commitments.

The School entered into a one year lease agreement with Rescue Church of Christ effective September 1, 2016 and renewed annually, and on September 1, 2019, the School renewed this lease through June 30, 2020, with minimum monthly lease payments of \$8,060 for the term of the lease.

Future minimum rental payments are as follows:

June 30,		
2020	\$	776,600
2021		696,000
2022		696,000
2023		696,000
Total	\$	2,864,600

Rent expense for the years ended June 30, 2019 and 2018 was \$776,600 and \$602,600, respectively, which is included in the accompanying statements of functional expenses under rent expense.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of contributions to be used for technology totaling \$62,582 for the year ended June 30, 2019. There were no net assets with donor restrictions for the year ended June 30, 2018.

7. RISK MANAGEMENT

- A. The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks.
- B. The School entered into contractual relationships with certain governmental funding sources. The governmental agencies may request return of funds as a result of noncompliance by the School, as well as additional funds for the use of facilities. The accompanying financial statements make no provision for the possible disallowance or refund.

ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

8. PENSION PLAN

The School adopted a 403(B) plan (the "Plan") which covers most of the employees. The Plan is a defined contribution plan. Full time employees are eligible to enroll in the Plan on a monthly date with no minimum service time required. The Plan provides for the School to contribute up to 2% of participating employees' salaries. The School contribution becomes fully vested after 6 years. For the years ended June 30, 2019 and 2018, pension expense for the School was \$29,678 and \$26,917, respectively, which is included in payroll taxes and employee benefits in the accompanying statements of functional expenses.

9. CONCENTRATIONS

- A. Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limit of \$250,000.
- B. The School received approximately 96% of its revenue from the NYCDOE for each of the years ended June 30, 2019 and 2018.
- C. The School's grants and other receivables consist of two major grantors at June 30, 2019 and three major grantors at June 30, 2018.
- D. The School's payables consist of two major vendors at June 30, 2019 and four major vendors at June 30, 2018.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Trustees
Rochdale Early Advantage Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Rochdale Early Advantage Charter School (the "School"), which comprise the statement of financial position as of June 30, 2019, 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 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School in a separate letter dated October 21, 2019.

An independent member of Baker Tilly International



Purpose of this Report

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

MBAF CPAs, LLC

New York, NY
October 21, 2019