



# **ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL**

## **FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Rochdale Early Advantage Charter School  
Queens, New York

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

We have audited the accompanying financial statements of Rochdale Early Advantage Charter School (the "School"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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



***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rochdale Early Advantage Charter School as of June 30, 2021, 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 Matter***

The financial statements of Rochdale Early Advantage Charter School as of and for the year ended June 30, 2020 were audited by MBAF CPAs, LLC ("MBAF"), whose partners and professional staff joined BDO USA, LLP as of January 16, 2021, and has subsequently ceased operations. MBAF expressed an unmodified opinion on those statements in their report dated October 27, 2020.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2021, on our consideration of Rochdale Early Advantage Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rochdale Early Advantage Charter School's internal control over financial reporting and compliance.

*BDO USA, LLP*

New York, NY  
October 19, 2021

**ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL**

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

<b>ASSETS</b>	<b>2021</b>	<b>2020</b>
Cash	\$ 5,120,327	\$ 3,729,725
Cash - restricted	100,220	100,210
Grants and other receivables	251,446	164,210
Prepaid expenses and other assets	1,567,883	1,527,215
Property and equipment, net	460,736	357,039
	<b><u>\$ 7,500,612</u></b>	<b><u>\$ 5,878,399</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 86,800	\$ 155,930
Accrued salaries and other payroll related expenses	639,500	438,848
Due to NYC Department of Education	25,291	-
Loan payable - Paycheck Protection Program	633,903	633,903
	<u>1,385,494</u>	<u>1,228,681</u>
 <b>NET ASSETS</b>		
Net assets - without donor restrictions	6,101,664	4,649,718
Net assets - with donor restrictions	13,454	-
	<u>6,115,118</u>	<u>4,649,718</u>
	<b><u>\$ 7,500,612</u></b>	<b><u>\$ 5,878,399</u></b>

See accompanying notes to the financial statements.

**ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL**

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>OPERATING REVENUE WITHOUT DONOR RESTRICTIONS</b>		
State and local per pupil operating revenue	\$ 8,084,353	\$ 6,647,806
Federal grants	269,534	107,550
State grants	28,287	27,364
	<u>8,382,174</u>	<u>6,782,720</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>		
Satisfaction of program restrictions	-	62,582
	<u>8,382,174</u>	<u>6,845,302</u>
<b>EXPENSES</b>		
Program:		
General education	5,413,780	4,447,653
Special education	813,400	1,206,143
Management and general	694,123	565,925
Fundraising	18,081	31,682
	<u>6,939,384</u>	<u>6,251,403</u>
<b>EXCESS FROM SCHOOL OPERATIONS</b>	1,442,790	593,899
<b>SUPPORT AND OTHER INCOME</b>		
Contributions, grants and other income	9,156	1,176
	<u>1,451,946</u>	<u>595,075</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	13,454	-
Net assets released from restrictions	-	(62,582)
	<u>13,454</u>	<u>(62,582)</u>
<b>CHANGE IN NET ASSETS</b>	1,465,400	532,493
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>4,649,718</u>	<u>4,117,225</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 6,115,118</u>	<u>\$ 4,649,718</u>

See accompanying notes to the financial statements.

**ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021

	No. of Positions	Program Services			Supporting Activities			2021
		General Education	Special Education	Total	Management and General	Fundraising	Total	
<b>Personnel Services Costs</b>								
Administrative staff personnel	4	\$ 238,280	\$ 47,656	\$ 285,936	\$ 205,729	\$ 4,975	\$ 210,704	\$ 496,640
Instructional personnel	47	2,481,911	355,371	2,837,282	-	-	-	2,837,282
Non-instructional personnel	8	527,453	86,269	613,722	93,659	2,299	95,958	709,680
Total salaries and staff	59	3,247,644	489,296	3,736,940	299,388	7,274	306,662	4,043,602
Payroll taxes and employee benefits		681,829	103,569	785,398	69,046	8,631	77,677	863,075
Legal fees		-	-	-	863	-	863	863
Accounting and audit services		-	-	-	65,829	-	65,829	65,829
Professional fees - other		194,993	28,330	223,323	5,066	112	5,178	228,501
Rent expense		787,845	118,678	906,523	72,481	1,596	74,077	980,600
Repairs and maintenance		30,490	4,593	35,083	2,805	62	2,867	37,950
Insurance		27,048	4,070	31,118	2,429	53	2,482	33,600
Utilities		469	71	540	43	1	44	584
Supplies / Materials		146,511	20,978	167,489	-	-	-	167,489
Equipment / Furnishings		29,649	4,274	33,923	354	8	362	34,285
Staff development		40,228	5,903	46,131	4,764	39	4,803	50,934
Student and staff recruitment		15,548	2,319	17,867	1,146	25	1,171	19,038
Technology		100,821	15,164	115,985	8,988	198	9,186	125,171
Student services		69,974	10,019	79,993	-	-	-	79,993
Office expense		40,731	6,136	46,867	3,747	82	3,829	50,696
Depreciation and amortization		-	-	-	151,897	-	151,897	151,897
Miscellaneous expense		-	-	-	5,277	-	5,277	5,277
		<b>\$ 5,413,780</b>	<b>\$ 813,400</b>	<b>\$ 6,227,180</b>	<b>\$ 694,123</b>	<b>\$ 18,081</b>	<b>\$ 712,204</b>	<b>\$ 6,939,384</b>

See accompanying notes to the financial statements.

**ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL**

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

	No. of Positions	Program Services			Supporting Activities			2020
		General Education	Special Education	Total	Management and General	Fundraising	Total	
<b>Personnel Services Costs</b>								
Administrative staff personnel	3	\$ 316,965	\$ 52,828	\$ 369,793	\$ 147,917	\$ 10,566	\$ 158,483	\$ 528,276
Instructional personnel	42	1,917,936	557,897	2,475,833	-	-	-	2,475,833
Non-instructional personnel	11	232,521	38,753	271,274	108,510	7,751	116,261	387,535
Total salaries and staff	56	2,467,422	649,478	3,116,900	256,427	18,317	274,744	3,391,644
Payroll taxes and employee benefits		572,658	161,161	733,819	68,494	4,029	72,523	806,342
Legal fees		-	-	-	11,186	-	11,186	11,186
Accounting and audit services		-	-	-	71,107	-	71,107	71,107
Professional fees - other		168,899	47,577	216,476	20,220	1,189	21,409	237,885
Rent expense		684,866	192,920	877,786	81,991	4,823	86,814	964,600
Repairs and maintenance		47,669	13,428	61,097	5,707	336	6,043	67,140
Insurance		21,643	6,097	27,740	2,591	152	2,743	30,483
Utilities		668	188	856	80	5	85	941
Supplies / Materials		148,414	41,807	190,221	17,768	1,045	18,813	209,034
Equipment / Furnishings		16,321	4,597	20,918	1,954	115	2,069	22,987
Staff development		47,201	13,296	60,497	5,651	332	5,983	66,480
Student and staff recruitment		28,011	4,114	32,125	-	-	-	32,125
Technology		74,924	21,105	96,029	8,970	528	9,498	105,527
Student services		53,865	17,955	71,820	-	-	-	71,820
Office expense		29,674	8,359	38,033	3,553	209	3,762	41,795
Depreciation and amortization		84,209	23,720	107,929	10,081	593	10,674	118,603
Miscellaneous expense		1,209	341	1,550	145	9	154	1,704
		<b>\$ 4,447,653</b>	<b>\$ 1,206,143</b>	<b>\$ 5,653,796</b>	<b>\$ 565,925</b>	<b>\$ 31,682</b>	<b>\$ 597,607</b>	<b>\$ 6,251,403</b>

See accompanying notes to the financial statements.



**ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from operating revenue	\$ 8,320,229	\$ 6,731,808
Cash paid to employees and suppliers	(6,696,633)	(6,028,196)
Other cash received	<u>22,610</u>	<u>(61,406)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>1,646,206</b></u>	<u><b>642,206</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(255,594)</u>	<u>(331,479)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan payable	<u>-</u>	<u>633,903</u>
<b>NET INCREASE IN CASH</b>	1,390,612	944,630
<b>CASH AND CASH - RESTRICTED - BEGINNING OF YEAR</b>	<u>3,829,935</u>	<u>2,885,305</u>
<b>CASH AND CASH - RESTRICTED - END OF YEAR</b>	<u><b>\$ 5,220,547</b></u>	<u><b>\$ 3,829,935</b></u>
<b>Reconciliation of change in net assets to net cash provided by operating activities:</b>		
Change in net assets	\$ 1,465,400	\$ 532,493
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	151,897	118,603
Changes in operating assets and liabilities:		
Grants and other receivables	(87,236)	(100,019)
Prepaid expenses and other assets	(40,668)	(19,715)
Accounts payable and accrued expenses	(69,130)	29,507
Accrued salaries and other payroll related expenses	200,652	94,812
Due to (from) NYC Department of Education	<u>25,291</u>	<u>(13,475)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>\$ 1,646,206</b></u>	<u><b>\$ 642,206</b></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
<b>Cash and cash - restricted consist of:</b>		
Cash	\$ 5,120,327	\$ 3,729,725
Cash - restricted	<u>100,220</u>	<u>100,210</u>
<b>Total</b>	<u><b>\$ 5,220,547</b></u>	<u><b>\$ 3,829,935</b></u>

See accompanying notes to the financial statements.

# ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

### 1. NATURE OF THE ORGANIZATION

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

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

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

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#### Financial Statement Presentation

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

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

These classes are defined as follows:

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

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

At June 30, 2021, the School had no net assets with donor restrictions that are perpetual in nature.

#### Cash - Restricted

At June 30, 2021 and 2020, an escrow account of \$100,220 and \$100,210, respectively, was held aside under the provisions of the School's charter to pay for legal and audit expenses that would be associated with a dissolution should it occur, as required by the New York State Education Department.

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### Grants and Other Receivables

Grants and other receivables represent amounts due from federal and state grants. Grants and other receivables are expected to be collected within one year, are recorded at net realizable value, and amount to \$251,446 and \$164,210 at June 30, 2021 and 2020, respectively. The School evaluates the collectivity of the receivables and employs the allowance method. The School has determined that no allowance for uncollectible accounts for grants and other receivables is necessary at June 30, 2021 and 2020. Such estimate is based on management's assessments of the aged basis of its receivables, as well as current economic conditions and historical information.

### Contributions

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions.

Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a measurable barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the School fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets as to time or purpose restrictions.

Contributions subject to donor restrictions are recognized in changes in net assets with donor restrictions. When a purpose restriction is satisfied or when a time restriction expires, the contribution is reported as net assets released from restrictions and is recognized in changes in net assets without donor restrictions in the statement of activities.

### Revenue Recognition

#### Per-Pupil Revenue

The School recognizes revenues from per-pupil funding in the fiscal year in which the academic programs are provided. Per-pupil revenue is billed and received based on the total number of full-time equivalent ("FTE") students and the basic charter school tuition rate for the school district of residence of the students attending the School in any given fiscal year for general education and special education. The FTE is formula-driven and based on the number of days the student has been with the School as a proportion of the number of days in the entire school year (the calculation is done by using the New York State calculator online). The School's total student population includes general education and special education students. The School has determined that revenue from its students has the same performance obligations, types of contract, and services rendered. As a result, the student body is viewed as one customer base for revenue purposes. The School uses a portfolio approach to account for per-pupil contracts as a collective group rather than recognizing revenue on an individual-contract basis. The School believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### Revenue Recognition (continued)

#### Per-Pupil Revenue (continued)

Per-pupil invoicing is managed on a bi-monthly basis to the funding source (local school district). Billing is a function of student enrollment for the upcoming fiscal year, which is the basis for the first two invoices per-pupil due June 1st and July 31st, which is a projection. Subsequent invoices are due bi-monthly. With the implementation of an automated-invoicing process through a dedicated website, the submission of each invoice is done online. After the year is complete, the School submits the FTE per-pupil reconciliation, listing every student who attended any part of the year, and the FTE each represents. Based on this final count, it calculates how much should have been paid to the School and included in the reconciliation will be any amounts due from the funding source included in grants and other receivables on the statement of financial position at year end, or any amounts payable to the funding source included as a liability on the statement of financial position at year end, as amounts are trued up to actual based on actual numbers submitted at year end.

Additional funding is also provided to support special education services. All students who are identified to need special education services or settings have an Individualized Education Program ("IEP"), formalized for his or her unique needs. Based on this IEP, the student is categorized into one of three levels of service: 0-20% service, 20-60% service, or 60% or more service required and provided by the School. For a student receiving less than 20% in services, no additional funding is received. For a student receiving services between 20% and 60% and 60% or more services of the school day, additional funding per FTE is received. Billing for this support is incorporated into the per-pupil invoices and is also settled in the same FTE per-pupil reconciliation process.

As the students receive the benefit of these services simultaneously as the School is providing them, the School recognizes per-pupil revenue from these services over time. The School believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to students receiving academic or school services. The School measures the performance obligation from admission or enrollment into the School to the point when the student is discharged or the end of the school year where it is no longer required to provide services to the student, which is generally at the time of discharge or the completion of the school year. All of these services are bundled and considered a single-performance obligation, and as such, the School accounts for these bundled-performance obligations under state and local per pupil operating revenue in the statement of activities and recognizes the per-pupil revenue over time.

#### Government Grants

Revenue from federal, state, and local government grants and contracts is recognized by the School when qualifying expenditures are incurred and billable to the government, or when required services have been provided.

#### Contract Assets and Contract Liabilities

In accordance with Accounting Standards Codification ("ASC") 606, contract assets are to be recognized when an entity has the right to receive consideration in exchange for goods or services that have been transferred to a customer when that right is conditional on something other than the passage of time. The School does not recognize contract assets, as the right to receive consideration is unconditional in accordance with the passage of time criteria. Also, in accordance with ASC 606, contract liabilities are to be recognized when an entity is obligated to transfer goods or services for which consideration has already been received. The School does not receive consideration prior to the transfer of goods or services and, therefore, does not recognize contract liabilities.

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### Contributions of Nonfinancial Assets

The School may receive contributed services that are an integral part of its operations. Such services are only recorded as contributions of nonfinancial assets, at their fair value, provided the services received create or enhance nonfinancial assets, require specified skills provided by individuals possessing those skills, and typically need to be purchased, if not provided by donation.

### Property and Equipment

Property and equipment are stated at cost and are depreciated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful life of the asset or the lease term. 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, based on the established threshold.

### Impairment

The School reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the School recognizes an impairment loss. No impairment losses were recognized for the years ended June 30, 2021 and 2020.

### Advertising

The School expenses advertising costs as incurred. The School incurred \$1,222 and \$6,412 of advertising costs for the years ended June 30, 2021 and 2020, respectively, which is included in the accompanying statement of functional expenses under student and staff recruitment.

### Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis and by natural classification in the accompanying statement of activities. Accordingly, certain costs have been allocated among the respective programs and activities according to the functional categories, as follows:

Program Services – This category represents expenses related to general education and special education for certain students requiring additional attention and guidance. These costs are allocated based on the FTE allocation method.

Management and General – This category represents expenses related to the overall administration and operation of the School that are not specific to any program services or development. These costs are allocated based on time and effort.

Fundraising – This category represents expenses directly associates with the School's effort to raise funds to support the operations for the School. These costs are allocated based on time and effort.

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### 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.

### Reclassifications

Certain accounts in the June 30, 2020 financial statements have been reclassified to conform to the June 30, 2021 presentation. These reclassifications had no effect on net income or net assets.

### Subsequent Events

The School has evaluated events through October 19, 2021, which is the date the financial statements were available to be issued.

### Income Taxes

The School is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the year ended June 30, 2021.

Under U.S. GAAP, an organization must recognize the tax benefit associated with tax positions taken for tax-return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The School does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The School is subject to routine audits by a taxing authority. As of June 30, 2021, the School was not subject to any examination by a taxing authority.

### Adopted Accounting Pronouncement

#### Revenue from Contracts with Customers (Topic 606)

During the year ended June 30, 2021, the School adopted Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606), as of July 1, 2020 using the modified-retrospective approach. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. The School's revenue is derived primarily from per-pupil revenue for services provided to students. Per-pupil revenues are recognized as revenue over the course of the academic school year or program for which it is earned. The adoption of ASU 2014-09 did not result in a material change to the timing of when revenue is recognized.

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Recent Accounting Pronouncements

#### Lease Accounting

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases*, which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2021. The School is currently evaluating the impact of the adoption of ASU 2016-02.

#### Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets (Topic 958). The update requires not-for-profits to present contributed nonfinancial assets as a separate line item on the statement of activities, and to disclose information regarding each type of contributed nonfinancial assets. The update is effective for financial statements issued for fiscal years beginning after June 15, 2021, and interim periods within fiscal years beginning after June 15, 2022, with early application permitted. The School is currently evaluating the impact of the adoption of ASU 2020-07.

## 3. LIQUIDITY 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 statements of financial position date for general expenditures are as follows:

June 30,	2021	2020
Cash	\$ 5,120,327	\$ 3,729,725
Cash - restricted	100,220	100,210
Grants and other receivables	251,446	164,210
Total financial assets	5,471,993	3,994,145
Less amounts unavailable for general expenditures within one year due to:		
Restricted by contract and donors with purpose restrictions	(113,674)	(100,210)
Total financial assets available to management for general expenditures within one year	\$ 5,358,319	\$ 3,893,935

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

#### 4. PROPERTY AND EQUIPMENT

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

	2021	2020	Estimated Useful Lives
Furniture and fixtures	\$ 200,428	\$ 168,564	7 years
Computer hardware and software	761,985	546,005	3 years
Equipment	44,250	44,250	5 years
Software	1,029	1,029	3 years
			Lesser of the useful life of the asset or the lease term
Leasehold improvements	496,352	488,602	
	1,504,044	1,248,450	
Less: Accumulated depreciation and amortization	(1,043,308)	(891,411)	
	<b>\$ 460,736</b>	<b>\$ 357,039</b>	

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 was \$151,897 and \$118,603, respectively.

#### 5. LOAN PAYABLE - PAYCHECK PROTECTION PROGRAM

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In April 2020, the School received loan proceeds in the amount of \$633,903 (the "PPP Loan"), under the Paycheck Protection Program ("PPP"). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which was enacted March 27, 2020. The PPP Loan, which was in the form of a promissory note, dated April 30, 2020, signed by the School, with an original maturity of April 30, 2022, and bear interest at a rate of 1.0% per annum.

The CARES Act and the PPP provide a mechanism for forgiveness of up to the full amount borrowed. The amount of the loan proceeds eligible for forgiveness is based on a formula that takes into account a number of factors, including the amount of loans proceeds used by the School during the 24-week period after the loan origination for certain eligible purposes including payroll costs, interest on certain mortgage obligations, rent payments on certain leases, and certain qualified utility payments, provided that at least 60% of the loan amount is used for eligible payroll costs; the employer maintaining or rehiring employees and maintaining salaries at certain levels; and other factors. Subject to other requirements and limitations on loan forgiveness, only loan proceeds spent on payroll and other eligible costs during a covered eight-week or twenty-four-week period qualify for forgiveness. Any forgiveness of the PPP loan is subject to approval by the Small Business Administration. At June 30, 2021 and 2020, the PPP Loan is included in total liabilities on the accompanying statements of financial position.

On July 9, 2021, the School received notification from the Small Business Administration that the School's forgiveness application of the PPP Loan and accrued interest was approved in full, and the School has no further obligations related to the PPP Loan as of the date the financial statements were available to be issued.



## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

#### 6. COMMITMENTS

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The School amended their lease with New Jerusalem Baptist Church, effective January 1, 2018. The School is obligated under a non-cancelable sub-lease for office and classroom space expiring on June 30, 2023. The terms of the new lease include monthly rental payments of \$58,000 through October 1, 2019 and increase to \$75,000 a month until the expiration of the lease. The lease also includes a security deposit of \$1,500,000 that will be applied towards the future construction of the property. The \$1,500,000 security deposit is included in the accompanying statements of financial position under prepaid expenses and other assets.

The School entered into a one-year lease agreement with Rescue Church of Christ effective September 1, 2016 and renewed annually. On September 1, 2021, the School renewed this lease through June 30, 2022, with minimum monthly lease payments of \$8,060 for the term of the lease.

Future minimum rental payments are as follows:

June 30,		
2022	\$	900,000
2023		900,000
Total	<b>\$</b>	<b>1,800,000</b>

Rent expense for the years ended June 30, 2021 and 2020 was \$980,600 and \$964,600, respectively, which is included in the accompanying statements of functional expenses under rent expense.

#### 7. NET ASSETS WITH DONOR RESTRICTIONS

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Net assets with donor restrictions consist of contributions to be used for the purchase of furniture and equipment totaling \$13,454 for the year ended June 30, 2021.

#### 8. RISK MANAGEMENT

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- A. The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks. The School also intends to defend its positions on these matters. As of June 30, 2021, there are no matters for which the School believes the ultimate outcome would have a material adverse effect on the School's financial position.
- 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. The School is of the opinion that such cost disallowances, if any, will not have a material effect in the School's financial statements.
- C. On March 27, 2020, the CARES Act was signed into law in response to the coronavirus ("COVID-19") pandemic. The CARES Act includes many measures to provide relief to companies and organizations. Under the CARES Act, the Local Education Agencies ("LEAs") received funds from the Elementary and Secondary School Emergency Relief ("ESSER") fund to provide equitable services to students and teachers in non-public schools. The School was granted funds to defray the COVID-19 outbreak costs under the aforementioned ESSER fund during the year ended June 30, 2021.

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

#### 9. PENSION PLAN

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The School adopted a 403(B) plan (the "Plan") which covers most of the employees. The Plan is a defined contribution plan. Full time employees are eligible to enroll in the Plan on a monthly date with no minimum service time required. The Plan provides for the School to contribute up to 2% of participating employees' salaries. The School contribution becomes fully vested after 6 years. For the years ended June 30, 2021 and 2020, pension expense for the School was \$57,737 and \$35,965, respectively, which is included in payroll taxes and employee benefits in the accompanying statements of functional expenses.

#### 10. CONCENTRATIONS

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- A. Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limit of \$250,000.
- B. The School received approximately 96% and 98% of its revenue from the NYCDOE for the years ended June 30, 2021 and 2020, respectively.
- C. The School's grants and other receivables consist of two major grantors at June 30, 2021 and 2020.
- D. The School's payables consist of four major vendors at June 30, 2021 and one major vendor at June 30, 2020.



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**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  
Queens, New York

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, 2021, 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 19, 2021.

**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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 financial statements. 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 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.

*BDO USA, LLP*

October 19, 2021  
New York, NY

