

Rochdale Early Advantage Charter School

Financial Statements
Years Ended June 30, 2023 and 2022

Rochdale Early Advantage Charter School

Financial Statements
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Rochdale Early Advantage Charter School

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Rochdale Early Advantage Charter School (the School), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

BDO USA, P.C.

October 31, 2023

Financial Statements

Rochdale Early Advantage Charter School

Statements of Financial Position

<i>June 30,</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 5,943,776	\$ 5,602,753
Restricted cash	100,240	100,230
Grants and other receivables	847,148	491,361
Prepaid expenses and other assets	20,903	18,796
Construction deposit	1,500,000	1,500,000
Property and equipment, net	2,064,863	1,911,321
Total Assets	\$ 10,476,930	\$ 9,624,461
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 132,478	\$ 240,433
Accrued salaries and other payroll related expenses	737,519	707,550
Due to NYC Department of Education	-	12,240
Total Liabilities	869,997	960,223
Commitments and Contingencies (Notes 2, 3, 5, 6, 7, and 8)		
Net Assets		
Without donor restrictions	9,606,933	8,664,238
Total Net Assets	9,606,933	8,664,238
Total Liabilities and Net Assets	\$ 10,476,930	\$ 9,624,461

See accompanying notes to the financial statements.

Rochdale Early Advantage Charter School

Statement of Activities

<i>Year ended June 30, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
State and local per pupil operating revenue	\$ 9,667,778	\$ -	\$ 9,667,778
Federal grants	381,528	-	381,528
State grants	33,993	-	33,993
Contributions, grants and other income	11,890	-	11,890
Total Revenue and Support	10,095,189	-	10,095,189
Expenses			
Program services:			
General education	5,592,578	-	5,592,578
Special education	1,783,377	-	1,783,377
Total Program Services	7,375,955	-	7,375,955
Supporting services:			
Management and general	1,757,500	-	1,757,500
Fundraising	19,039	-	19,039
Total Supporting Services	1,776,539	-	1,776,539
Total Expenses	9,152,494	-	9,152,494
Change in Net Assets	942,695	-	942,695
Net Assets, beginning of year	8,664,238	-	8,664,238
Net Assets, end of year	\$ 9,606,933	\$ -	\$ 9,606,933

See accompanying notes to the financial statements.

Rochdale Early Advantage Charter School

Statement of Activities

<i>Year ended June 30, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
State and local per pupil operating revenue	\$ 9,085,659	\$ -	\$ 9,085,659
Federal grants	479,827	-	479,827
State grants	30,678	-	30,678
Forgiveness of debt - Paycheck Protection Program	639,065	-	639,065
Contributions, grants and other income	8,788	-	8,788
Net assets released from restrictions	13,454	(13,454)	-
Total Revenue and Support	10,257,471	(13,454)	10,244,017
Expenses			
Program services:			
General education	6,115,262	-	6,115,262
Special education	852,677	-	852,677
Total Program Services	6,967,939	-	6,967,939
Supporting services:			
Management and general	673,745	-	673,745
Fundraising	53,213	-	53,213
Total Supporting Services	726,958	-	726,958
Total Expenses	7,694,897	-	7,694,897
Change in Net Assets	2,562,574	(13,454)	2,549,120
Net Assets, beginning of year	6,101,664	13,454	6,115,118
Net Assets, end of year	\$ 8,664,238	\$ -	\$ 8,664,238

See accompanying notes to the financial statements.

Rochdale Early Advantage Charter School

Statement of Functional Expenses

Year ended June 30, 2023

	Number of Positions	Program Services			Supporting Services			Total
		General Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel Service Costs								
Administrative staff personnel	10	\$ 12,190	\$ 6,095	\$ 18,285	\$ 944,082	\$ 12,190	\$ 956,272	\$ 974,557
Instructional personnel	62	3,166,863	1,089,301	4,256,164	-	-	-	4,256,164
Total Salaries and Staff	72	3,179,053	1,095,396	4,274,449	944,082	12,190	956,272	5,230,721
Payroll taxes and employee benefits		604,916	212,370	817,286	184,748	2,386	187,134	1,004,420
Retirement		18,190	6,386	24,576	5,555	72	5,627	30,203
Legal fees		3,160	366	3,526	-	-	-	3,526
Accounting and audit services		78,396	9,069	87,465	-	-	-	87,465
Professional fees - other		241,463	60,065	301,528	262,379	538	262,917	564,445
Rent expense		590,571	207,333	797,904	180,367	2,329	182,696	980,600
Repairs and maintenance		70,519	24,757	95,276	21,537	278	21,815	117,091
Insurance		-	-	-	33,950	-	33,950	33,950
Utilities		7,935	2,786	10,721	2,423	31	2,454	13,175
Supplies/Materials		328,086	37,952	366,038	-	-	-	366,038
Equipment/Furnishings		15,642	5,492	21,134	10,572	62	10,634	31,768
Staff development		113,086	23,086	136,172	34,949	168	35,117	171,289
Student and staff recruitment		11,495	1,330	12,825	-	-	-	12,825
Technology		20,656	7,252	27,908	7,256	81	7,337	35,245
Food services		3,083	1,082	4,165	942	12	954	5,119
Student services		148,350	33,194	181,544	20,803	269	21,072	202,616
Office expense		43,323	15,209	58,532	12,920	171	13,091	71,623
Depreciation and amortization		114,654	40,252	154,906	35,017	452	35,469	190,375
		\$ 5,592,578	\$ 1,783,377	\$ 7,375,955	\$ 1,757,500	\$ 19,039	\$ 1,776,539	\$ 9,152,494

See accompanying notes to the financial statements.

Rochdale Early Advantage Charter School

Statement of Functional Expenses

Year ended June 30, 2022

	Number of Positions	Program Services			Supporting Services			Total
		General Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel Service Costs								
Administrative staff personnel	3	\$ 293,899	\$ 62,348	\$ 356,247	\$ 214,867	\$ 17,843	\$ 232,710	\$ 588,957
Instructional personnel	60	2,710,724	344,487	3,055,211	-	-	-	3,055,211
Non-instructional personnel	6	425,289	73,272	498,561	131,284	791	132,075	630,636
Total Salaries and Staff	69	3,429,912	480,107	3,910,019	346,151	18,634	364,785	4,274,804
Payroll taxes and employee benefits		686,802	94,435	781,237	68,681	8,585	77,266	858,503
Retirement		40,810	5,611	46,421	4,081	510	4,591	51,012
Legal fees		-	-	-	2,007	-	2,007	2,007
Accounting and audit services		-	-	-	87,031	-	87,031	87,031
Professional fees - other		356,878	48,718	405,596	32,345	17,418	49,763	455,359
Rent expense		786,590	110,131	896,721	79,594	4,285	83,879	980,600
Repairs and maintenance		65,214	9,131	74,345	6,598	355	6,953	81,298
Insurance		25,580	3,572	29,152	2,523	136	2,659	31,811
Utilities		636	89	725	64	3	67	792
Supplies/Materials		207,976	26,430	234,406	-	-	-	234,406
Equipment/Furnishings		38,005	5,196	43,201	2,863	154	3,017	46,218
Staff development		70,365	9,437	79,802	10,602	209	10,811	90,613
Student and staff recruitment		10,236	1,417	11,653	907	49	956	12,609
Technology		25,238	3,534	28,772	2,554	137	2,691	31,463
Student services		219,039	27,836	246,875	-	-	-	246,875
Office expense		17,769	8,242	26,011	14,163	2,007	16,170	42,181
Depreciation and amortization		134,212	18,791	153,003	13,581	731	14,312	167,315
		\$ 6,115,262	\$ 852,677	\$ 6,967,939	\$ 673,745	\$ 53,213	\$ 726,958	\$ 7,694,897

See accompanying notes to the financial statements.

Rochdale Early Advantage Charter School

Statements of Cash Flows

<i>Year ended June 30,</i>	2023	2022
Cash Flows from Operating Activities		
Cash received from operating revenue	\$ 9,715,272	\$ 9,356,652
Cash paid to employees and suppliers	(9,042,212)	(7,256,812)
Other cash received	11,890	496
Net Cash Provided by Operating Activities	684,950	2,100,336
Cash Flows from Investing Activities		
Purchase of property and equipment	(1,701,017)	(230,800)
Construction in progress	1,357,100	(1,387,100)
Net Cash Used in Investing Activities	(343,917)	(1,617,900)
Net Increase in Cash	341,033	482,436
Cash, Cash Equivalents and Restricted Cash, beginning of year	5,702,983	5,220,547
Cash, Cash Equivalents and Restricted Cash, end of year	\$ 6,044,016	\$ 5,702,983
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 942,695	\$ 2,549,120
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	190,375	167,315
Forgiveness of debt - Paycheck Protection Program	-	(633,903)
Changes in operating assets and liabilities:		
Grants and other receivables	(355,787)	(239,915)
Prepaid expenses and other assets	(2,107)	49,087
Accounts payable and accrued expenses	(107,955)	153,633
Accrued salaries and other payroll related expenses	29,969	68,050
Due to NYC Department of Education	(12,240)	(13,051)
Net Cash Provided by Operating Activities	\$ 684,950	\$ 2,100,336
Supplemental Disclosure of Cash Flow Information		
Cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 5,943,776	\$ 5,602,753
Restricted cash	100,240	100,230
Cash, Cash Equivalents and Restricted Cash, end of year	\$ 6,044,016	\$ 5,702,983

See accompanying notes to the financial statements.

Rochdale Early Advantage Charter School

Notes to Financial Statements

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 Board of Regents approved the School's renewal of its charter through June 30, 2027.

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

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 (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 - 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 - 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, 2023 and 2022, the School had no assets with donor restrictions.

Rochdale Early Advantage Charter School

Notes to Financial Statements

Cash and Cash Equivalents

The School considers highly liquid investments with original maturities of 90 days or less to be cash and cash equivalents. The School has not experienced any losses on these accounts. At June 30, 2023 and 2022, an escrow account of \$100,240 and \$100,230, 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.

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 \$847,148 and \$491,361 at June 30, 2023 and 2022, 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, 2023 and 2022. 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. At June 30, 2023 and 2022, the School had no conditional contributions.

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

Rochdale Early Advantage Charter School

Notes to Financial Statements

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.

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 tried 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.

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Notes to Financial Statements

Contract Assets and Contract Liabilities

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification *Revenue from Contracts with Customers* (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.

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. Government grants revenues are nonexchange transactions in which no commensurate value is exchanged. Accordingly, contribution accounting is applied under *Not-for-Profit Entities* (ASC 958).

Revenue is comprised of the following:

<i>June 30,</i>	2023	2022
State per-pupil operating revenue	\$ 9,667,778	\$ 9,085,659
Total Revenue Subject to ASC 606	9,667,778	9,085,659
Total Revenue Not Subject to ASC 606	427,411	1,158,358
Total Revenue and Support	10,095,189	10,244,017

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. There were no contributions of nonfinancial assets recorded during the year ended June 30, 2023.

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 \$3,000 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.

Rochdale Early Advantage Charter School

Notes to Financial Statements

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, 2023 and 2022.

Advertising

The School expenses advertising costs as incurred. The School incurred \$0 and \$914 of advertising costs for the years ended June 30, 2023 and 2022, respectively, which is included in the accompanying statements 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.

Estimates

The preparation of financial statements in conformity with 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.

Reclassification

Certain amounts in the 2022 financial statements were classified to conform with the 2023 presentation. These reclassifications had no effect on the School's financial position and change in net assets.

Income Taxes

The School is exempt from federal, state and local income taxes under Section 501(c)(3) of the IRC and, therefore, has made no provision for income taxes in the accompanying financial statements.

Rochdale Early Advantage Charter School

Notes to 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 years ended June 30, 2023 and 2022.

Under GAAP, an organization must recognize the tax benefit associate 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, 2023, the School was not subject to any examination by a taxing authority.

Recently Adopted Accounting Pronouncements

Lease Accounting

In February 2016, the FASB issued ASU 2016-02, *Accounting for Leases*, which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The FASB issued ASU 2020-05, which deferred the effective date for the Organization until annual periods beginning after December 15, 2021. The provisions of ASU 2016-02 were adopted by the School beginning July 1, 2022 following the modified retrospective method of application. The adoption of this accounting guidance did not have a material effect on the School’s financial statements.

Recently Issued but not yet Adopted Accounting Pronouncements

Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASC 606, loans and certain other instruments, entities will be required to use new forward looking “expected loss” model that generally will result in earlier recognition of credit losses than under today’s incurred loss model. ASU 2016-13 is effective for annual periods beginning after December 15, 2022. The School is currently evaluating the impact of this ASU on its financial statements.

Rochdale Early Advantage Charter School

Notes to Financial Statements

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:

<i>June 30,</i>	2023	2022
Cash and cash equivalents	\$ 5,943,776	\$ 5,602,753
Restricted cash	100,240	100,230
Grants and other receivables	847,148	491,361
Total Financial Assets	6,891,164	6,194,344
Less amounts unavailable for general expenditures within one year due to:		
Restricted by contract	(100,240)	(100,230)
Total Financial Assets Available to Management for General Expenditures Within One Year	\$ 6,790,924	\$ 6,094,114

4. Property and Equipment

Property and equipment consist of the following:

<i>June 30,</i>	2023	2022	Estimated Useful Lives (in years)
Furniture and fixtures	\$ 288,727	\$ 258,768	7
Computer hardware and software	1,026,474	934,446	3
Equipment	44,250	44,250	5
Leasehold improvements	2,075,382	496,352	Lesser of useful life of asset or lease term
Construction in progress	30,000	1,387,100	
	3,464,833	3,120,916	
Less: accumulated depreciation and amortization	(1,399,970)	(1,209,595)	
	\$ 2,064,863	\$ 1,911,321	

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was \$190,375 and \$167,315, respectively.

Rochdale Early Advantage Charter School

Notes to Financial Statements

5. Commitments

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 construction of the property. The \$1,500,000 security deposit is included in the accompanying statements of financial position under construction deposit.

In 2022, the Board voted to approve an additional \$1,500,000 towards the construction of the property. The School began construction of the property in 2022. Construction in progress amounted to \$30,000 and \$1,387,100 at June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, the School has a construction commitment totaling approximately \$0 and \$1,612,900, respectively.

The School entered into a one-year lease agreement with Rescue Church of Christ effective September 1, 2016 and renewed annually. On September 1, 2022, the School renewed this lease through June 30, 2023, with minimum monthly lease payments of \$8,060 for the term of the lease.

In July 2023, the School entered into a two-year lease agreement for classroom and office space with the New Jerusalem Baptist Church effective July 1, 2023 which can be renewed bi-annually over a span of twenty years. The terms of the new lease include monthly rental payments of \$75,000 through June 30, 2025.

In September 2023, the School entered into a one-year lease agreement for classroom, office space and play area for purpose of operating a Universal Pre-Kindergarten with Rescue Church of Christ effective September 1, 2023 which can be renewed annually. The terms of the new lease include monthly rental payments of \$8,060 through June 30, 2024 and the monthly rental for renewal lease term will be at a rate greater than 7% or \$6,300.

6. Risk Management

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, 2023, there are no matters for which the School believes the ultimate outcome would have a material adverse effect on the School's financial position.

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 and will record them in the fiscal year they become known.

Rochdale Early Advantage Charter School

Notes to Financial Statements

7. 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, 2023 and 2022, pension expense for the School was \$30,203 and \$51,012, respectively, which is included in retirement in the accompanying statements of functional expenses.

8. Concentration Risks

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. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash accounts.

The School received approximately 96% and 89% of its total revenue from per-pupil funding from the NYCDOE for the years ended June 30, 2023 and 2022, respectively.

The School's grants and other receivables consist of three major grantors accounting for 80% at June 30, 2023 and two major grantors accounting for 100% at June 30, 2022.

The School's payables consist of three major vendors accounting for approximately 49% and 58% at June 30, 2023 and 2022, respectively.

9. Paycheck Protection Program

In April 2020, the School received loan proceeds in the amount of \$633,903 (PPP Loan), under the Small Business Administration 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 bore interest at a rate of 1.0% per annum.

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. Accordingly, the School recorded a forgiveness of debt of the PPP Loan in the amount of \$633,903 in the accompanying statements of activities at June 30, 2022.

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Rochdale Early Advantage Charter School

Notes to Financial Statements

10. Subsequent Events

The School has evaluated events through October 31, 2023, which is the date the financial statements were available to be issued. There were no other subsequent events requiring adjustment to the financial statements or disclosures except:

As mentioned in note 5, in July 2023, the School entered into a two-year lease agreement for classroom and office space and in September 2023, the School entered into a one-year lease agreement for classroom, office space and play area. Both leases are in Jamaica, NY.

Supplementary Information



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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

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

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 Rochdale Early Advantage Charter School (the School), which comprise the School's statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2023.

Report on 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 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 or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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, P.C.

October 31, 2023

Rochdale Early Advantage Charter School

Schedule of Findings and Questioned Costs

Section I. Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes

No

Yes

None reported

Noncompliance material to financial statements noted?

Yes

No

Section II. Financial Statement Findings

There were no findings related to the financial statements that are required to be reported, in accordance with generally accepted government auditing standards.