



CENTRAL QUEENS ACADEMY CHARTER SCHOOL

Audited Financial Statements In Accordance With
Government Auditing Standards

June 30, 2018

CENTRAL QUEENS ACADEMY CHARTER SCHOOL

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14 - 15
Schedule of Findings and Responses	16

Independent Auditor's Report

To the Board of Directors of
Central Queens Academy Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Central Queens Academy Charter School (the "School"), which comprise the statement of financial position as of June 30, 2018, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization'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 Central Queens Academy Charter School as of June 30, 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.

Report on Summarized Comparative Information

We have previously audited the School's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 3, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018 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 to solely 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.



Schall & Ashenfarb
Certified Public Accountants, LLC

October 12, 2018

CENTRAL QUEENS ACADEMY CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2018
(With comparative totals at June 30, 2017)

	<u>6/30/18</u>	<u>6/30/17</u>
Assets		
Cash and cash equivalents	\$5,270,913	\$3,840,011
Restricted cash (Note 3)	76,900	76,452
Grants receivable - New York City DOE (Note 5)	11,429	9,226
Pledges receivable (Note 4)	294,741	442,748
Government grants receivable	302,766	292,642
Prepaid expenses	104,252	99,133
Security deposit	112,180	112,180
Fixed assets, net (Note 6)	<u>176,001</u>	<u>310,747</u>
 Total assets	 <u><u>\$6,349,182</u></u>	 <u><u>\$5,183,139</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$933,888	\$841,784
Conditional contribution (Note 2f)	280,000	0
Deferred rent	25,711	25,395
Deferred revenue - New York City DOE (Note 5)	<u>7,259</u>	<u>10,576</u>
Total liabilities	<u><u>1,246,858</u></u>	<u><u>877,755</u></u>
Net assets:		
Unrestricted	4,899,320	3,940,641
Temporarily restricted (Note 7)	<u>203,004</u>	<u>364,743</u>
Total net assets	<u><u>5,102,324</u></u>	<u><u>4,305,384</u></u>
 Total liabilities and net assets	 <u><u>\$6,349,182</u></u>	 <u><u>\$5,183,139</u></u>

*The attached notes and auditor's report
are an integral part of these financial statements.*

CENTRAL QUEENS ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With comparative totals for the year ended June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 6/30/18</u>	<u>Total 6/30/17</u>
Public support and revenue:				
Public school district: (Notes 2g)				
Revenue - resident student enrollment	\$5,790,825		\$5,790,825	\$5,495,428
Revenue - students with disabilities	589,091		589,091	672,946
Subtotal public school district	<u>6,379,916</u>		<u>6,379,916</u>	<u>6,168,374</u>
Government grants:				
Federal	240,400		240,400	197,773
State	142,578		142,578	167,339
New York City rental assistance	548,317		548,317	534,425
Subtotal government grants	<u>931,295</u>	0	<u>931,295</u>	<u>899,537</u>
Contributions	76,173	50,000	126,173	469,103
Special event (net of expenses with a direct benefit to donors) (Note 8)	307,668		307,668	251,069
Donated services	287,245		287,245	248,181
Interest income	28,410		28,410	12,500
Miscellaneous income	5,512		5,512	2,457
Released from restriction	<u>211,739</u>	<u>(211,739)</u>	<u>0</u>	<u>0</u>
Total public support and revenue	<u>8,227,958</u>	<u>(161,739)</u>	<u>8,066,219</u>	<u>8,051,221</u>
Expenses:				
Program services:				
Regular education	5,096,098		5,096,098	4,805,991
Special education	728,203		728,203	772,820
Total program services	<u>5,824,301</u>	0	<u>5,824,301</u>	<u>5,578,811</u>
Supporting services:				
Management and general	1,098,665		1,098,665	943,963
Fundraising	346,313		346,313	240,916
Total expenses	<u>7,269,279</u>	0	<u>7,269,279</u>	<u>6,763,690</u>
Change in net assets	958,679	(161,739)	796,940	1,287,531
Net assets - beginning of year	<u>3,940,641</u>	<u>364,743</u>	<u>4,305,384</u>	<u>3,017,853</u>
Net assets - ending of year	<u><u>\$4,899,320</u></u>	<u><u>\$203,004</u></u>	<u><u>\$5,102,324</u></u>	<u><u>\$4,305,384</u></u>

*The attached notes and auditor's report
are an integral part of these financial statements.*

CENTRAL QUEENS ACADEMY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With comparative totals for the year ended June 30, 2017)

	Program Services			Supporting Services		Total Expenses 6/30/18	Total Expenses 6/30/17
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising		
Salaries:							
Administrative staff personnel	\$632,093	\$56,764	\$688,857	\$371,642	\$109,754	\$1,170,253	\$981,323
Instructional personnel	2,243,081	310,471	2,553,552			2,553,552	2,491,065
Non-instructional personnel	171,656	54,384	226,040	56,032	115,000	397,072	394,827
Additional compensation	126,738	20,199	146,937	13,487	5,850	166,274	160,208
Total salaries	3,173,568	441,818	3,615,386	441,161	230,604	4,287,151	4,027,423
Employee benefits and payroll taxes	575,964	91,796	667,760	61,291	26,587	755,638	663,475
Total personnel costs	3,749,532	533,614	4,283,146	502,452	257,191	5,042,789	4,690,898
Professional fees	62,138	8,558	70,696	181,796	5,378	257,870	108,537
In-kind professional fees			0	287,245		287,245	248,181
Occupancy	806,599	128,554	935,153	85,833	37,234	1,058,220	1,029,964
Repairs and maintenance	13,752	2,192	15,944	1,463	635	18,042	13,459
Insurance	39,232	6,253	45,485	4,175	1,811	51,471	69,427
Utilities	19,979	3,184	23,163	2,126	922	26,211	25,294
Curriculum and classroom expenses	53,290		53,290			53,290	61,006
Classroom supplies and materials	57,031		57,031			57,031	77,943
Equipment	26,159	4,168	30,327	2,784	1,208	34,319	28,635
Professional development	11,792	786	12,578	999	227	13,804	17,559
Student and staff recruitment	13,369	2,130	15,499	1,423	617	17,539	14,667
Fundraising expenses			0		29,862	29,862	41,303
Information technology	26,358	4,200	30,558	2,805	1,217	34,580	39,664
Office expenses	19,285	3,074	22,359	2,052	890	25,301	22,329
Communications	17,889	2,851	20,740	1,904	826	23,470	24,397
Taxes	4,116	656	4,772	438	190	5,400	0
Travel and meals	467	74	541	50	22	613	520
Miscellaneous	301	48	349	2,518	14	2,881	5,835
Depreciation	174,809	27,861	202,670	18,602	8,069	229,341	244,072
Total other than personnel costs	1,346,566	194,589	1,541,155	596,213	89,122	2,226,490	2,072,792
Total expenses	\$5,096,098	\$728,203	\$5,824,301	\$1,098,665	\$346,313	\$7,269,279	\$6,763,690

*The attached notes and auditor's report
are an integral part of these financial statements.*

CENTRAL QUEENS ACADEMY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(With comparative totals for the year ended June 30, 2017)

	6/30/18	6/30/17
Cash flows from operating activities:		
Change in net assets	\$796,940	\$1,287,531
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation expense	229,341	244,072
Changes in assets and liabilities:		
Restricted cash	(448)	(381)
Grant receivable - New York City DOE	(2,203)	(519)
Pledges receivable	148,007	(366,698)
Government grants receivable	(10,124)	(61,353)
Prepaid expenses	(5,119)	(590)
Accounts payable and accrued expenses	92,104	110,585
Conditional contribution	280,000	0
Deferred rent	316	314
Deferred revenue - New York City DOE	(3,317)	10,576
Total adjustments	728,557	(63,994)
Net cash flows provided by operating activities	1,525,497	1,223,537
Cash flows from investing activities:		
Purchases of fixed assets	(94,595)	(52,668)
Net cash flows used for investing activities	(94,595)	(52,668)
Net increase in cash and cash equivalents	1,430,902	1,170,869
Cash and cash equivalents - beginning of year	3,840,011	2,669,142
Cash and cash equivalents - ending of year	\$5,270,913	\$3,840,011
Supplemental disclosures:		
Interest and taxes paid	\$0	\$0

*The attached notes and auditor's report
are an integral part of these financial statements.*

CENTRAL QUEENS ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1 - Organization and Nature of Activities

Central Queens Academy Charter School (the "School"), located in Queens, New York, is a not-for-profit education corporation chartered by the Regents of the University of the State of New York. The charter was authorized by SUNY Charter Schools Institute. The School was founded by a team of educators, parents and youth advocates in partnership with APEX, a youth development organization with almost 20 years of experience working with Asian immigrant youth in New York.

The School's academic program is designed to meet the needs of a highly diverse student body. The School has grounded this program in its core values and will implement its mission using research-based methods that have worked in other schools. Its curriculum is aligned with the Common Core State Standards and the New York State Standards and has been designed to make sure that students learn what they need to know in a rigorous and fun environment.

The School has been notified by the Internal Revenue Service that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. They have not been designated as a private foundation.

Note 2 - Significant Accounting Policies

a. Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

The School's net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted* – represent those resources for which there are no restrictions by donors as to their use.
- *Temporarily restricted* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor. Temporarily restricted contributions, the requirements of which are met in the year of donation, are reported as unrestricted.

b. Cash and Cash Equivalents

The School considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

c. Concentration of Credit

Financial instruments, which potentially subject the School to concentration of credit risk, consist of cash and money market accounts, which have been placed with financial institutions that management deems to be creditworthy. At year end and at various times throughout the year, material cash balances were in excess of FDIC insurance levels; however, management feels they have little risk and the School has not experienced any losses from the default of any financial institution.

d. Capitalization Policy

Computer hardware, furniture, leasehold improvements and equipment are stated at cost or at the fair value at the date of gift, if donated. The School capitalizes fixed assets in excess of pre-defined amounts that have a useful life of more than one year. Depreciation was computed using the straight-line method over the estimated useful lives of the respective assets, which generally are between 3 and 5 years.

e. Deferred Rent

Rent expense is recorded on the straight-line basis over the life of the lease. Rent expense recognized in excess of cash payments is reflected as deferred rent. As future payments exceed the annual expense recognized, deferred rent will be reduced to zero at the end of the lease term.

f. Contributions

Contributions are recorded as revenue at the earlier of the receipt of cash or when pledges are considered unconditional in nature. Contributions are available for unrestricted use, unless specifically restricted by the donor, in which case they are recorded in one of the restricted classes of net assets, depending on the nature of the restriction.

Conditional contributions are recognized when the conditions on which they depend are substantially met. There was one conditional contribution received for the new building campaign in the amount of \$280,000. As cash was already received this is recognized as a liability. The contribution is subject to the donor's approval of the capital project plan, at which time it will be recognized as revenue.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value using a risk adjusted discount rate. Conditional contributions are recorded as liabilities and are recognized as income when the conditions have been substantially met.

g. Revenue

Program revenue is recognized based on rates established by the School's funding sources and the amount realizable on the accrual basis in the period during which services are provided.

Government grants are recognized as income when a reimbursable expense is incurred. The difference between revenue recognized and cash received is reflected as government grants receivable or refundable advances.

h. Donated Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided in-kind.

The School received in-kind professional legal services that were valued at \$287,245 and \$248,181 for the years ended June 30, 2018 and June 30, 2017, respectively.

The School pays for most other services requiring specific expertise. Board members and other individuals volunteer their time and support its mission and accomplish its programmatic goals. These services do not meet the criteria for recognition as outlined above and have not been recorded in the financial statements.

i. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

j. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

k. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the School's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

l. Accounting for Uncertainty in Income Taxes

The School does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2015 and later are subject to examination by applicable taxing authorities.

m. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through October 12, 2018, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date, through our evaluation date that would require adjustment to or disclosure in the financial statements.

n. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the June 30, 2019 year,

with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

On June 21, 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the June 30, 2020 year, with early implementation permitted, provides guidance on whether a receipt from a third-party resource provider should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the June 30, 2020 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the June 30, 2021 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

The School has not yet evaluated the impact these standards will have on future financial statements.

Note 3 - Restricted Cash

An escrow account has been established to meet the requirement of the New York City Department of Education ("NYCDOE"). The purpose of this account is to ensure sufficient funds are available for an orderly dissolution or transition process in the event of termination of the charter or school closure.

Note 4 - Pledges Receivable

Pledges receivable are due in the following years:

Year ending:	June 30, 2019	\$196,741
	June 30, 2020	<u>100,000</u>
Total		296,741
Less: discount on receivables (2%)		<u>(2,000)</u>
Total pledges receivable		<u>\$294,741</u>

Note 5 - Grants Receivable/Deferred Revenue

Grants receivable and advances payable on the contract with NYCDOE can be summarized as follows:

	<u>6/30/18</u>	<u>6/30/17</u>
Per pupil funding:		
Beginning grant receivable/(advance)	\$9,226	\$8,707
Recognition of PY balances	(9,226)	0
Funding based on allowable FTE's	6,379,916	6,168,374
Advances received	<u>(6,368,487)</u>	<u>(6,167,855)</u>
Ending receivable – per pupil	<u>\$11,429</u>	<u>\$9,226</u>
	<u>6/30/18</u>	<u>6/30/17</u>
Rental assistance:		
Beginning grant receivable/(advance)	(\$10,576)	\$0
Rental assistance grant	548,317	534,424
Payments received	<u>(545,000)</u>	<u>(545,000)</u>
Ending advance – rental assistance	<u>(\$7,259)</u>	<u>(\$10,576)</u>

Note 6 - Fixed Assets

Fixed assets can be summarized as follows:

	<u>6/30/18</u>	<u>6/30/17</u>
Leasehold improvements	\$853,715	\$831,965
Construction in progress	46,594	13,638
Furniture and equipment	<u>474,025</u>	<u>434,136</u>
	1,374,334	1,279,739
Less: accumulated depreciation	<u>(1,198,333)</u>	<u>(968,992)</u>
Total fixed assets - net	<u>\$176,001</u>	<u>\$310,747</u>

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets are summarized as follows:

	<u>June 30, 2018</u>			
	<u>Balance</u>		<u>Released</u>	<u>Balance</u>
	<u>7/1/17</u>	<u>Contributions</u>	<u>from</u>	<u>6/30/18</u>
			<u>Restrictions</u>	
Programs:				
Technology	\$45,743	\$0	(\$43,143)	\$2,600
Strategic Plan Development	0	50,000	(47,596)	2,404
Time restrictions	<u>319,000</u>	<u>0</u>	<u>(121,000)</u>	<u>198,000</u>
Total	<u>\$364,743</u>	<u>\$50,000</u>	<u>(\$211,739)</u>	<u>\$203,004</u>

June 30, 2017

	<u>Balance</u> <u>7/1/16</u>	<u>Contributions</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>6/30/17</u>
Technology programs	\$0	\$60,000	(\$14,257)	\$45,743
Time restrictions	<u>50,000</u>	<u>294,000</u>	<u>(25,000)</u>	<u>319,000</u>
Total	<u>\$50,000</u>	<u>\$354,000</u>	<u>(\$39,257)</u>	<u>\$364,743</u>

Note 8 - Special Events

Special events are summarized as follows:

	<u>6/30/18</u>	<u>6/30/17</u>
Gross revenue	\$389,935	\$322,789
Less: expenses with a direct benefit to donors	<u>(82,267)</u>	<u>(71,720)</u>
	307,668	251,069
Less: other event expenses	<u>(29,862)</u>	<u>(34,710)</u>
Total	<u>\$277,806</u>	<u>\$216,359</u>

Note 9 - Significant Concentrations

The School is dependent upon grants from NYCDOE to carry out its operations. Approximately 89% and 86% of the School's total public support and revenue was from NYCDOE for the years ended June 30, 2018 and 2017, respectively.

Note 10 - Commitments and Contingencies

Government Grants

Government contracts are subject to audit by the grantor. Management does not believe that any audits, if they were to occur, would result in material disallowed costs, and has not established any reserves. Any disallowed costs would be recorded in the period notified.

Lease Commitments

On January 18, 2012, the School entered into an operating lease for classroom space and administrative offices that was originally set to expire on July 15, 2015. Subsequent lease renewals were exercised that extended the term to July 15, 2019.

The School entered into a second operating lease for additional classroom and administrative space, which was also renewed through July 15, 2019. Future minimum lease payments are as follows:

Year ending:	June 30, 2019	\$954,253
	June 30, 2020	<u>57,187</u>
		<u>\$1,011,440</u>

Note 11 - Employee Benefits

The School has a tax deferred annuity plan under IRS section 401(k) for all employees. Under the plan, employees may opt to defer a portion of their gross pay, having that portion of pay be invested in accordance with applicable federal and state guidelines governing deferred compensation programs. The School contributed \$77,434 and \$51,112 to the plan during the years ended June 30, 2018 and 2017, respectively.

**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 Directors of
Central Queens Academy Charter School

Report on the Financial Statements

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 Central Queens Academy Charter School (the "School"), which comprise the statement of financial position as of June 30, 2018, 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 12, 2018.

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 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Purpose of this Report

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



Schall & Ashenfarb
Certified Public Accountants, LLC

October 12, 2018

**CENTRAL QUEENS ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

Current Year:

None

Prior-Year:

None