



# Cardinal McCloskey Community Charter School

Financial Statements  
Years Ended June 30, 2022 and 2021

# **Cardinal McCloskey Community Charter School**

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Financial Statements  
Years Ended June 30, 2022 and 2021

# Cardinal McCloskey Community Charter School

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## **Independent Auditor's Report**

To the Board of Trustees  
Cardinal McCloskey Community Charter School  
New York, New York

### ***Opinion***

We have audited the financial statements of Cardinal McCloskey Community Charter School (the "School"), which comprise the statements of financial position as of June 30, 2022 and 2021, 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, 2022 and 2021, 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 audit 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 Matters***

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022 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, LLP*

New York, NY  
October 27, 2022

# Cardinal McCloskey Community Charter School

## Statements of Financial Position

<i>June 30,</i>	2022	2021
<b>Assets</b>		
Cash	\$ 2,698,950	\$ 1,673,582
Cash - restricted	75,009	50,004
Grants and other receivables	921,938	494,397
Prepaid expenses and other assets	123,421	176,827
Due from related entities	52,848	-
Property and equipment, net	245,342	223,585
<b>Total Assets</b>	<b>\$ 4,117,508</b>	<b>\$ 2,618,395</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 399,846	\$ 57,062
Accrued salaries and other payroll related expenses	529,981	213,235
Due to NYC Department of Education	26,529	26,627
<b>Total Liabilities</b>	<b>956,356</b>	<b>296,924</b>
<b>Commitments and Contingencies (Notes 2, 3, 7 and 10)</b>		
<b>Net Assets</b>		
Net assets - without donor restrictions	3,161,152	2,266,954
Net assets - with donor restrictions	-	54,517
<b>Total Net Assets</b>	<b>3,161,152</b>	<b>2,321,471</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,117,508</b>	<b>\$ 2,618,395</b>

*See accompanying notes to the financial statements.*

# Cardinal McCloskey Community Charter School

## Statements of Activities

<i>Year Ended June 30,</i>	<b>2022</b>	<b>2021</b>
<b>Change in Net Assets without Donor Restrictions</b>		
<b>Operating Revenue without Donor Restrictions</b>		
State and local per pupil operating revenue	\$ 6,437,190	\$ 4,701,228
Government grants and contracts	811,540	275,453
	<b>7,248,730</b>	<b>4,976,681</b>
<b>Net Assets Released from Restrictions</b>		
Satisfaction of program restrictions	54,517	44,592
<b>Total Operating Revenue without Donor Restrictions</b>	<b>7,303,247</b>	<b>5,021,273</b>
<b>Expenses</b>		
Program services	5,382,059	3,112,839
Management and general	1,024,922	493,797
Fundraising	2,068	1,671
<b>Total Expenses</b>	<b>6,409,049</b>	<b>3,608,307</b>
<b>Increase in Net Assets without Donor Restrictions</b>	<b>894,198</b>	<b>1,412,966</b>
<b>Change in Net Assets with Donor Restrictions</b>		
Net assets released from restrictions	(54,517)	(44,592)
<b>Decrease in Net Assets with Donor Restrictions</b>	<b>(54,517)</b>	<b>(44,592)</b>
<b>Change in Net Assets</b>	<b>839,681</b>	<b>1,368,374</b>
<b>Net Assets, beginning of the year</b>	<b>2,321,471</b>	<b>953,097</b>
<b>Net Assets, end of the year</b>	<b>\$ 3,161,152</b>	<b>\$ 2,321,471</b>

*See accompanying notes to the financial statements.*



# Cardinal McCloskey Community Charter School

## Statement of Functional Expenses

Year Ended June 30, 2022

	No. of Positions	Program Services		Subtotal	Management	Fundraising	Total
		General Education	Special Education		and General		
Personnel Service Costs							
Administrative staff personnel	16	\$ 631,552	\$ 122,173	\$ 753,725	\$ 354,685	\$ -	\$ 1,108,410
Instructional personnel	39	1,253,192	583,746	1,836,938	-	-	1,836,938
Total salaries and staff	55	1,884,744	705,919	2,590,663	354,685	-	2,945,348
Fringe benefits and payroll taxes		419,956	157,292	577,248	65,016	-	642,264
Retirement		18,585	6,961	25,546	2,877	-	28,423
Legal services		-	-	-	57,959	-	57,959
Accounting and audit services		-	-	-	22,000	-	22,000
Other purchases of professional and consulting services		65,591	18,976	84,567	316,185	2,068	402,820
Occupancy and facility costs		815,136	305,304	1,120,440	126,197	-	1,246,637
Repairs and maintenance		91,646	34,325	125,971	14,188	-	140,159
Insurance		28,088	10,520	38,608	4,348	-	42,956
Utilities		35,652	13,353	49,005	5,519	-	54,524
Instructional supplies and materials		183,043	52,955	235,998	-	-	235,998
Equipment and furnishings		9,720	3,641	13,361	1,505	-	14,866
Staff development		71,344	26,721	98,065	11,045	-	109,110
Marketing and recruitment		79,187	29,659	108,846	12,259	-	121,105
Technology		77,821	29,147	106,968	12,048	-	119,016
Student services		30,450	8,809	39,259	-	-	39,259
Office expense		33,239	12,450	45,689	5,146	-	50,835
Depreciation and amortization		80,682	30,219	110,901	12,491	-	123,392
Other		7,947	2,977	10,924	1,454	-	12,378
<b>Total Expenses</b>		<b>\$ 3,932,831</b>	<b>\$ 1,449,228</b>	<b>\$ 5,382,059</b>	<b>\$ 1,024,922</b>	<b>\$ 2,068</b>	<b>\$ 6,409,049</b>

*See accompanying notes to the financial statements.*

# Cardinal McCloskey Community Charter School

## Statement of Functional Expenses

Year Ended June 30, 2021

	No. of Positions	Program Services		Subtotal	Management	Fundraising	Total
		General Education	Special Education		and General		
Personnel Service Costs							
Administrative staff personnel	5	\$ 389,549	\$ 64,547	\$ 454,096	\$ 157,158	\$ -	\$ 611,254
Instructional personnel	31	839,336	482,762	1,322,098	-	-	1,322,098
<b>Total salaries and staff</b>	<b>36</b>	<b>1,228,885</b>	<b>547,309</b>	<b>1,776,194</b>	<b>157,158</b>	<b>-</b>	<b>1,933,352</b>
Fringe benefits and payroll taxes		290,215	129,578	419,793	37,311	-	457,104
Retirement		13,567	6,057	19,624	1,744	-	21,368
Legal services		-	-	-	7,238	-	7,238
Accounting and audit services		-	-	-	16,500	-	16,500
Other purchases of professional and consulting services		11,418	2,678	14,096	198,729	1,671	214,496
Occupancy and facility costs		323,374	144,383	467,757	41,575	-	509,332
Repairs and maintenance		2,697	1,204	3,901	347	-	4,248
Insurance		18,353	8,195	26,548	2,360	-	28,908
Utilities		1,948	870	2,818	250	-	3,068
Instructional supplies and materials		57,191	13,416	70,607	-	-	70,607
Equipment and furnishings		2,573	1,149	3,722	331	-	4,053
Staff development		25,312	11,302	36,614	3,254	-	39,868
Marketing and recruitment		24,740	11,046	35,786	3,181	-	38,967
Technology		69,519	31,040	100,559	8,938	-	109,497
Student services		5,474	1,284	6,758	-	-	6,758
Office expense		16,126	7,200	23,326	2,073	-	25,399
Depreciation and amortization		54,082	24,147	78,229	6,952	-	85,181
Other		18,325	8,182	26,507	5,856	-	32,363
<b>Total Expenses</b>		<b>\$ 2,163,799</b>	<b>\$ 949,040</b>	<b>\$ 3,112,839</b>	<b>\$ 493,797</b>	<b>\$ 1,671</b>	<b>\$ 3,608,307</b>

*See accompanying notes to the financial statements.*

# Cardinal McCloskey Community Charter School

## Statements of Cash Flows

Year Ended June 30,	2022	2021
<b>Cash Flows from Operating Activities:</b>		
Cash received from operating revenue	\$ 6,768,341	\$ 4,903,875
Cash paid to employees and suppliers	(5,572,819)	(3,453,509)
<b>Net Cash Provided by Operating Activities</b>	<b>1,195,522</b>	<b>1,450,366</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(145,149)	(159,305)
<b>Net Increase in Cash</b>	<b>1,050,373</b>	<b>1,291,061</b>
<b>Cash and Cash - Restricted, beginning of year</b>	<b>1,723,586</b>	<b>432,525</b>
<b>Cash and Cash - Restricted, end of year</b>	<b>2,773,959</b>	<b>1,723,586</b>
<b>Reconciliation of change in net assets to net cash provided by operating activities:</b>		
Change in net assets	839,681	1,368,374
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	123,392	85,181
Changes in operating assets and liabilities:		
Grants and other receivables	(427,541)	(88,214)
Prepaid expenses and other assets	53,406	(50,132)
Due from related entities	(52,848)	15,408
Accounts payable and accrued expenses	342,784	(7,015)
Accrued salaries and other payroll related expenses	316,746	100,137
Due to NYC Department of Education	(98)	26,627
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,195,522</b>	<b>\$ 1,450,366</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
<b>Cash and Cash - Restricted consist of:</b>		
Cash	\$ 2,698,950	\$ 1,673,582
Cash - restricted	75,009	50,004
<b>Total</b>	<b>\$ 2,773,959</b>	<b>\$ 1,723,586</b>

*See accompanying notes to the financial statements.*

# Cardinal McCloskey Community Charter School

## Notes to Financial Statements

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### 1. Nature of the Organization

Cardinal McCloskey Community Charter School (the “School”) is a New York State, not-for-profit educational corporation that was incorporated on November 8, 2017 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School, led by the Board of Trustees, received a charter from the Charter Schools Institute - State University of New York (“SUNY-CSI”) to operate a charter school in the State of New York pursuant to certain terms and conditions set forth in its approved charter application and charter agreement dated August 10, 2017. The School’s charter agreement shall expire in July 2024 unless earlier terminated or renewed.

The School opened its doors in the fall of 2019 in the Bronx to kindergarten and first grade students. By the end of the 2020-21 school year, the School has expanded to second grade students.

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. It is also exempt under 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.

### 2. Significant Accounting Policies

#### *Financial Statement Presentation*

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

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

# Cardinal McCloskey Community Charter School

## Notes to Financial Statements

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### ***Cash - Restricted***

An escrow account in the amount of \$75,009 and \$50,004 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 NYSED as of June 30, 2022 and 2021, respectively.

### ***Grants and Other Receivables***

Grants and other receivables represent unconditional promises by government agencies and donors. Grants and other receivables that are expected to be collected within one year and are recorded at net realizable value are \$921,938 and \$494,397 at June 30, 2022 and 2021, respectively. The School has determined that no allowance for uncollectible accounts for grants and other receivables is necessary as of June 30, 2022 and 2021. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions.

### ***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

# Cardinal McCloskey Community Charter School

## Notes to Financial Statements

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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 1<sup>st</sup> and July 31<sup>st</sup>, 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 Financial Accounting Standards Board (“FASB”) 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

# Cardinal McCloskey Community Charter School

## Notes to Financial Statements

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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.

### ***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 \$5,000 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 period ended June 30, 2022 and 2021.

### ***Advertising***

The School expenses advertising costs as incurred. The School incurred \$121,105 and \$38,967 of advertising costs for the year ended June 30, 2022 and 2021, respectively, which is included in the accompanying statements of functional expenses under marketing and 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.

# Cardinal McCloskey Community Charter School

## Notes to Financial Statements

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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 the FTE allocation method.

### ***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.

### ***Subsequent Events***

The School has evaluated events through October 27, 2022, 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 years ended June 30, 2022 and 2021.

Under U.S. 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, 2022, the School was not subject to any examination by a taxing authority.

### ***Recently Adopted Accounting Pronouncement***

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

In September 2020, the FASB issued Accounting Standards Updated ("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. The School adopted this ASU as of July 1, 2021. The adoption of this ASU did not have a material impact on the financial statements.

### ***Issued by not yet Adopted Accounting Pronouncement***

#### **Lease Accounting**

In February 2016, the 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



# Cardinal McCloskey Community Charter School

## Notes to Financial Statements

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to use, or control the use of, a specified asset for the lease term. The FASB also issued ASU-2020-05, which deferred the effective date for the School until annual periods beginning after December 15, 2021. The School is currently evaluating the impact of the adoption of ASU 2016-02.

### 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 financial assets available within one year of the statement of financial position date for general expenditures are as follows:

<i>June 30,</i>	<b>2022</b>	<b>2021</b>
Cash	\$ 2,698,950	\$ 1,673,582
Cash - restricted	75,009	50,004
Grants and other receivables	921,938	494,397
Due from related entities	52,848	-
<b>Total financial assets available within one year</b>	<b>3,748,745</b>	<b>2,217,983</b>
Less: amounts unavailable for general expenditures within one year due to:		
Restricted by contract	(75,009)	(50,004)
Restricted by donors with purpose restrictions	-	(54,517)
<b>Total financial assets available to management for general expenditures within one year</b>	<b>\$ 3,673,736</b>	<b>\$ 2,113,462</b>

*This space is intentionally left blank.*

# Cardinal McCloskey Community Charter School

## Notes to Financial Statements

### 4. Property and Equipment

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

	2022	2021	Estimated Useful Lives
Furniture and fixtures	\$ 146,126	\$ 81,729	7 years
Computer equipment	257,606	243,071	3 years
Software	6,500	6,500	3 years
Leasehold improvements	89,572	23,355	Lesser of the useful life of the asset or the lease term
	499,804	354,655	
Less: accumulated depreciation and amortization	(254,462)	(131,070)	
	\$ 245,342	\$ 223,585	

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 was \$123,392 and \$85,181, respectively.

### 5. Grants and Other Receivables

Grants and other receivables consist of federal and state entitlements and grants, as well as unconditional promises to give by donors. The School expects to collect these receivables within one year. Grants and other receivables consist of the following as of June 30,:

	2022	2021
CSP	\$ 320,738	\$ 320,738
ESSER	304,916	39,266
Per Pupil	137,317	-
Title I	125,171	103,642
Title II	17,117	16,168
Title IV	8,000	8,000
Other	8,679	6,583
	\$ 921,938	\$ 494,397

# Cardinal McCloskey Community Charter School

## Notes to Financial Statements

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### 6. Net Assets with Donor Restrictions

There were no net assets with donor restrictions at June 30, 2022. Net assets with donor restrictions as of June 30, 2021 were available for the following purposes:

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Various start up costs - Walton Foundation Grant	\$	54,517
COVID-19 Crisis Grant - NYC Charter School Center		-
COVID-19 Crisis Costs - Walton Foundation Grant		-
	\$	54,517

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Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows for the years ended June 30, 2022 and 2021:

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	2022	2021
Various start up costs - Walton Foundation Grant	\$ 54,517	\$ 15,345
COVID-19 Crisis Grant - NYC Charter School Center	-	12,450
COVID-19 Crisis Costs - Walton Foundation Grant	-	16,797
	\$ 54,517	\$ 44,592

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### 7. Pension Plan

The School has adopted the Cardinal McCloskey Community Charter School 403(b) Plan (the "Plan") which is qualified under Internal Revenue Code 403(b) for benefit of its eligible employees. The Plan is a defined contribution plan. There are no eligibility requirements for employees to enroll in the Plan. Employees are eligible to receive employer safe harbor contributions once they have completed six consecutive months of service. The Plan calls for the School to match 100% of an eligible employee's contribution up to 3%, plus 50% of an eligible employee's contribution between 3% and 5% of their fiscal year salary. Employees are also eligible for discretionary employer contributions. The vesting period for the Plan is based on a vesting table in which it takes two years to be partially vested and six years to be fully vested. Pension expense amounted to \$28,423 and \$21,369 for the year ended June 30, 2022 and 2021, respectively, and is included in retirement in the statements of functional expenses.

### 8. Risk Management

- A. The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks. The School also intends to defend its positions on these matters. As of June 30, 2022, there are no matters for which the School

# Cardinal McCloskey Community Charter School

## Notes to Financial Statements

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

### 9. 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 88% and 94% of its total revenue from per-pupil funding from the NYCDOE during the year ended June 30, 2022 and 2021, respectively.

The School's grants and other receivables consist of four major grantors accounting for approximately 73% at June 30, 2022. The School's grants and other receivables consist of two major grantor accounting for approximately 81% at June 30, 2021.

The School's payables consist of three major vendors accounting for approximately 51% and 74% at June 30, 2022 and 2021, respectively.

### 10. Commitment and Contingencies

In April 2018, the School entered into a lease agreement with Aquinas High School, Dominican Convent of Our Lady of the Rosary for leasing the premises at 685 East 182<sup>nd</sup> Street, Bronx, New York 10457. Effective July 2019, the School amended the lease agreement through July 31, 2021. As part of the lease agreement, the School was required to pay a security deposit of \$89,668, which is included in the accompanying statements of financial position under prepaid expenses and other assets.

In September 2021, the School entered into a lease agreement with Dominican Convent of Our Lady of the Rosary for leasing the premises at 685 East 182<sup>nd</sup> Street, Bronx, New York 10457 effective September 1, 2021 and expiring on June 30, 2026. As part of the new lease agreement, the School was required to pay an additional security deposit of \$72,499 for the total amount of \$162,167.

# Cardinal McCloskey Community Charter School

## Notes to Financial Statements

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At June 30, 2022, future minimum rental lease payments are as follows:

Year ended June 30,

2023	\$	1,336,258
2024		1,395,329
2025		1,441,100
2026		1,484,333
		<hr/>
		\$ 5,657,020

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Rent expense and occupancy costs for the year ended June 30, 2022 and 2021 was \$1,246,637 and \$509,332, respectively, and is included in occupancy and facility costs on the statements of functional expenses.

## 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***

To the Board of Trustees  
Cardinal McCloskey Community Charter School  
New York, 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 Cardinal McCloskey Community Charter School (the “School”), which comprise the School’s statements of financial position as of June 30, 2022 and 2021, 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 27, 2022.

### **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, LLP*

New York, New York  
October 27, 2022



# Cardinal McCloskey Community Charter School

## Schedule of Findings and Questioned Costs Year Ended June 30, 2022

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### 1. Summary of Auditor's Results

#### *Financial Statements*

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?

Yes  No

### 2. 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.