

A photograph of three business professionals in a modern office setting. A woman with curly hair is on the left, a man in a suit and red tie is in the center, and another man in a suit is on the right. They are seated on a white sofa with two large, red, modern chairs in front of them. A black briefcase sits on the floor next to the man on the right. Large windows in the background show green trees outside. A white diagonal graphic element cuts across the image from the top left to the bottom right.

REPORT TO BOARD OF TRUSTEES

CARDINAL MCCLOSKEY COMMUNITY CHARTER SCHOOL

AUDIT RESULTS
YEAR ENDED JUNE 30, 2025



CARDINAL McCLOSKEY
COMMUNITY CHARTER SCHOOL

The logo for BDO, consisting of the letters 'BDO' in a bold, white, sans-serif font inside a red square with a white border.

BDO

Welcome

October 17, 2025

To Those Charged with Governance
Cardinal McCloskey Community Charter School

We look forward to discussing with you the current year audit results for Cardinal McCloskey Community Charter School the (“School”). On August 06, 2025 we presented an overview of our plan for the audit of the financial statements of Cardinal McCloskey Community Charter School the (“School”) as of and for the year ended June 30, 2025.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the School’s accounting practices and policies, management’s judgments and estimates, financial statement disclosures, and other required matters to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the School is responsible.

We are pleased to be of service to the School and look forward to meeting with you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

BDO USA, P.C.

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The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Directors) and, if appropriate, management of the School, and is not intended and should not be used by anyone other than these specified parties.

Executive Summary



Executive Summary

Results of Our Audit

- ▶ Overview and Status - We have completed majority of our audit work with respect to the consolidated financial statements for the year ended June 30, 2025.
- ▶ Quality of the School's Financial Reporting
- ▶ Significant Risk Overview & Discussion
- ▶ Corrected and Uncorrected Misstatements
- ▶ Internal Control Over Financial Reporting

Results of Our Audit

- ▶ See Required Communication Dashboard at Page 6.



Required Communications Dashboard

Professional standards require that we communicate the following matters to those charged with governance. We have indicated in the table below where these communications are included within this report or in previous communications, as well as which matters warrant discussion during this meeting.

Topic	Matters to Discuss	Ref.	Topic	Matters to Discuss	Ref.
Independence	NO	Page 32	Difficult or Contentious Matters for Which We Consulted Outside the Engagement Team	NO	Page 31
Overall Strategy, Timing of the Audit, & Significant Risks	NO	Audit Plan	Consultation with Other Accountants	NO	Page 30
Significant Changes to the Overall Audit Strategy, Significant Risks, or Planned Use of Others	NO	Page 27	New Accounting Pronouncements Not Yet Effective	NO	Page 26
Use of Component Auditors	NO	Page 30	Uncorrected and Corrected Misstatements	NO	Page 23
Information from Those Charged with Governance	NO	Page 29	Disagreements with Management	NO	Page 31
Significant Accounting Practices, Policies, Estimates & Disclosures	NO	Page 26	Difficulties Encountered in Performing the Audit	NO	Page 31
Alternative Accounting Treatment	NO	Page 29			
Quality of Financial Reporting	NO	Page 18			
Nature and Extent of Specialized Skills or Knowledge Needed Related to Significant Risk	NO	Page 29			

Audit Results



Highlights: Results of the Audit - Assets

ASSETS					
	2025		2024		Change
Current Assets					
Cash	\$	6,467,883	\$	5,812,776	\$ 655,107
Cash - restricted		75,033		75,024	9
Grants and other receivables		320,556		645,251	(324,695)
Due from NYC Department of Education		3,663		4,956	(1,293)
Prepaid expenses and other assets		284,961		326,432	(41,471)
Due from related entities		260		34,834	(34,574)
Total Current Assets		7,152,356		6,899,273	253,083
Right of use assets, operating leases, net		1,404,743		2,763,135	(1,358,392)
Right of use assets, finance leases, net		130,058		-	130,058
Property and equipment, net		1,054,265		881,666	172,599
Security deposit		162,167		162,167	-
Total Assets	\$	9,903,589	\$	10,706,241	\$(802,652)

- ▶ Cash increased in the current year due to the collections of grants receivable and current year net income.
- ▶ The ROU asset has decreased by approx. \$1.3 million. This is because of the annual amortization on the leases and New Equipment Finance Lease.

Highlights: Results of the Audit - Liabilities and Net Assets

LIABILITIES AND NET ASSETS			
	2025	2024	Change
Current Liabilities			
Accounts payable and accrued expenses	\$ 756,586	\$ 509,735	\$ 246,851
Accrued salaries and other payroll related expenses	527,397	465,466	61,931
Operating lease liabilities, current portion	1,490,602	1,405,395	85,207
Finance lease liabilities, current portion	32,982	-	32,982
Total Current Liabilities	\$ 2,807,567	\$ 2,380,596	\$ 426,971
Operating lease liability, non-current portion	4,377	1,494,979	(1,490,602)
Finance lease liabilities, non-current portion	97,703	-	-
Total Liabilities	2,909,647	3,875,575	(1,063,631)
Net assets - without donor restriction	6,993,942	6,830,666	163,276
Total Net Assets	\$ 6,993,942	\$ 6,830,666	\$ 163,276
Total Liabilities and Net Assets	\$ 9,903,589	\$ 10,706,241	\$ (900,355)

- ▶ Decrease in lease liabilities by approximately \$1.4 million is because of the annual amortization on the leases.

Highlights: Results of the Audit - Net Assets

NET ASSETS					
	2025		2024		Change
Net assets - without donor restrictions	\$	6,993,942	\$	6,830,666	\$ 163,276
Total Net Assets	\$	6,993,942	\$	6,830,666	\$ 163,276
Reconciliation of the Change in Net Assets					
		2025		2024	
Change in Net Assets		163,276		1,472,462	
Net change		(1,309,186)			
The following represents significant fluctuations in the change in net assets between the current and prior year:					
Increase in revenue and support	\$	1,399			
Increase in expenses		(1,310,585)			
	\$	(1,309,186)			

► The change in Net assets is equal to CY Net Income.

Highlights: Results of the Audit - Revenue

REVENUE AND OTHER SUPPORT				
	<u>Without Donor Restrictions</u>			
	2025	2024		Change
Operating Revenue without Donor Restrictions				
State and local per pupil operating revenue	\$ 11,312,391	\$ 11,145,355	\$	167,036
Government grants and contracts	718,617	949,037		(230,420)
Contributions and other income	275,329	268,957		6,372
Interest Income	58,411	-		58,411
Total Revenue and Support	\$ 12,364,748	\$ 12,363,349	\$	1,399

FTE BREAKDOWN			
	2025	2024	Change
Total General Education FTE	445	452	(7)
Special Education FTE Breakdown			
Less than 20%	17	13	4
Between 20% and 60%	8	2	6
More than 60%	61	72	(11)
	86	87	(1)

Highlights: Results of the Audit - Expenses

EXPENSES					
	2025		2024		Change
Program services:					
General education	\$	7,214,179	\$	6,925,044	\$ 289,135
Special education		2,476,416		2,044,539	431,877
Total Program services	\$	9,690,595	\$	8,969,583	\$ 721,012
Supporting services:					
Management and general	\$	2,509,837	\$	1,918,954	\$ 590,883
Fundraising		1,040		2,350	(1,310)
Total Supporting services	\$	2,510,877	\$	1,921,304	\$ 589,573
Total Expenses	\$	12,201,472	\$	10,890,887	\$ 1,310,585

	2025		2024		Change
Program services expense	\$	9,690,595	\$	8,969,583	\$ 721,012
Supporting services expense		2,510,877		1,921,304	589,573
Total FTE of Gen Ed Scholars		445		452	(7)
Program services expense per Scholar		21,777		19,844	1,932
General and administrative per Scholar		5,642		4,251	1,392
	\$	27,419	\$	24,095	\$ 3,324

- ▶ The increase in program services expenses is mainly because the school added special education students in FY25.
- ▶ Management and general expenses include payroll costs for school's operations and administrative employees.

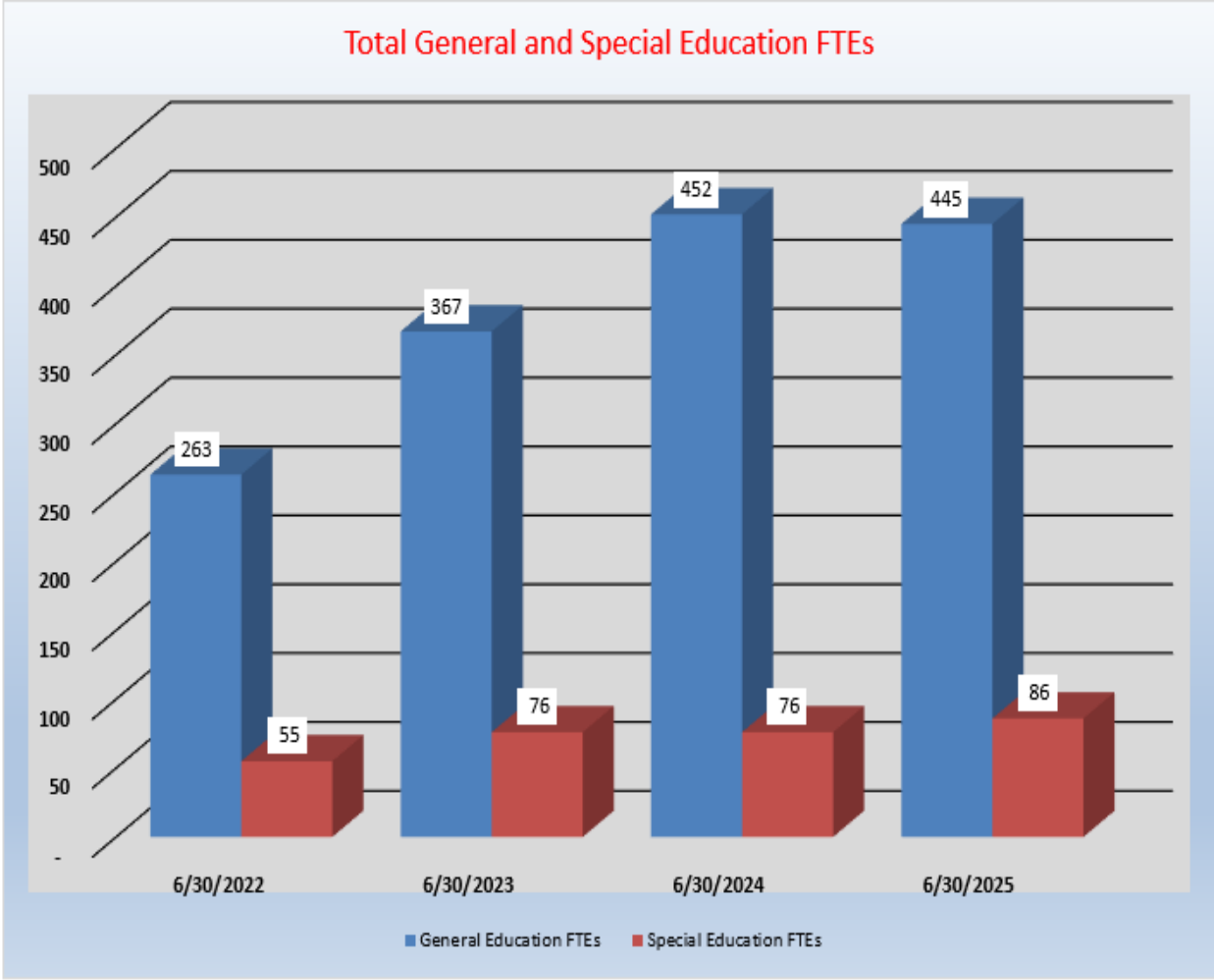
Highlights: Results of the Audit - Expenses (continued)

FUNCTIONAL CLASS ANALYSIS (\$)							
	Program Services			Supporting Services			Total Expenses
	General Education	Special Education	Total	Management and General	Fundraising		
June 30, 2025	\$ 7,214,179	\$ 2,476,416	\$ 9,690,595	\$ 2,509,837	\$ 1,040	\$ 12,201,472	
June 30, 2024	6,925,044	2,044,539	8,969,583	1,918,954	2,350	10,890,887	
Increase / (Decrease) (\$)	\$ 289,135	\$ 431,877	\$ 721,012	\$ 590,883	\$ (1,310)	\$ 1,310,585	

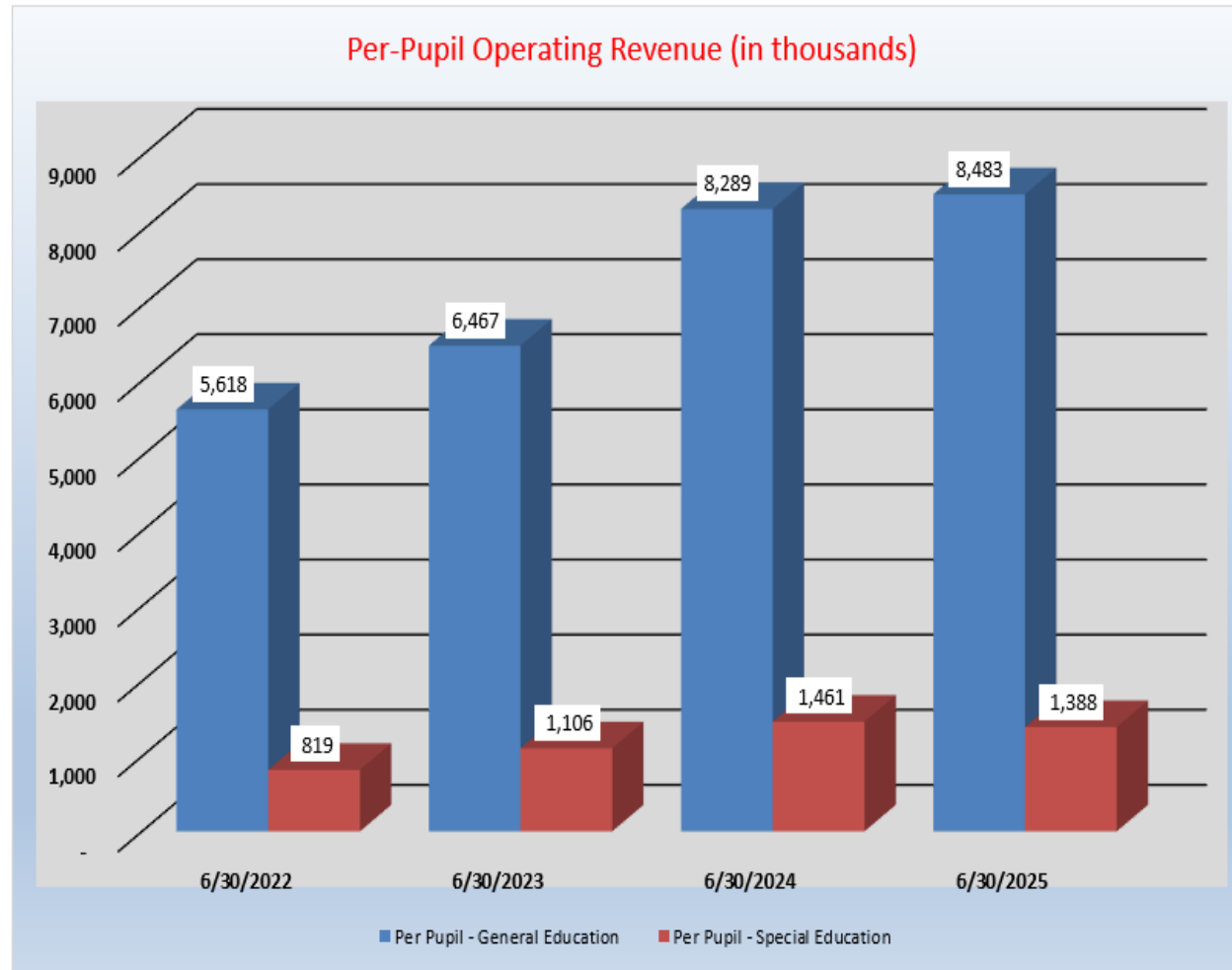
FUNCTIONAL CLASS ANALYSIS (%)							
	Program Services			Supporting Services			Total Expenses
	General Education	Special Education	Total	Management and General	Fundraising		
June 30, 2025	59.13%	20.30%	79.42%	20.57%	0.01%	100%	
June 30, 2024	64.00%	19.00%	82.36%	17.62%	0.02%	100%	
Increase / (Decrease) (%)	-4.87%	1.30%	-2.94%	2.95%	-0.01%		

► Refer to Historical Trends section for the School's functional expenses categories relationship for FY 2022 through FY 2025.

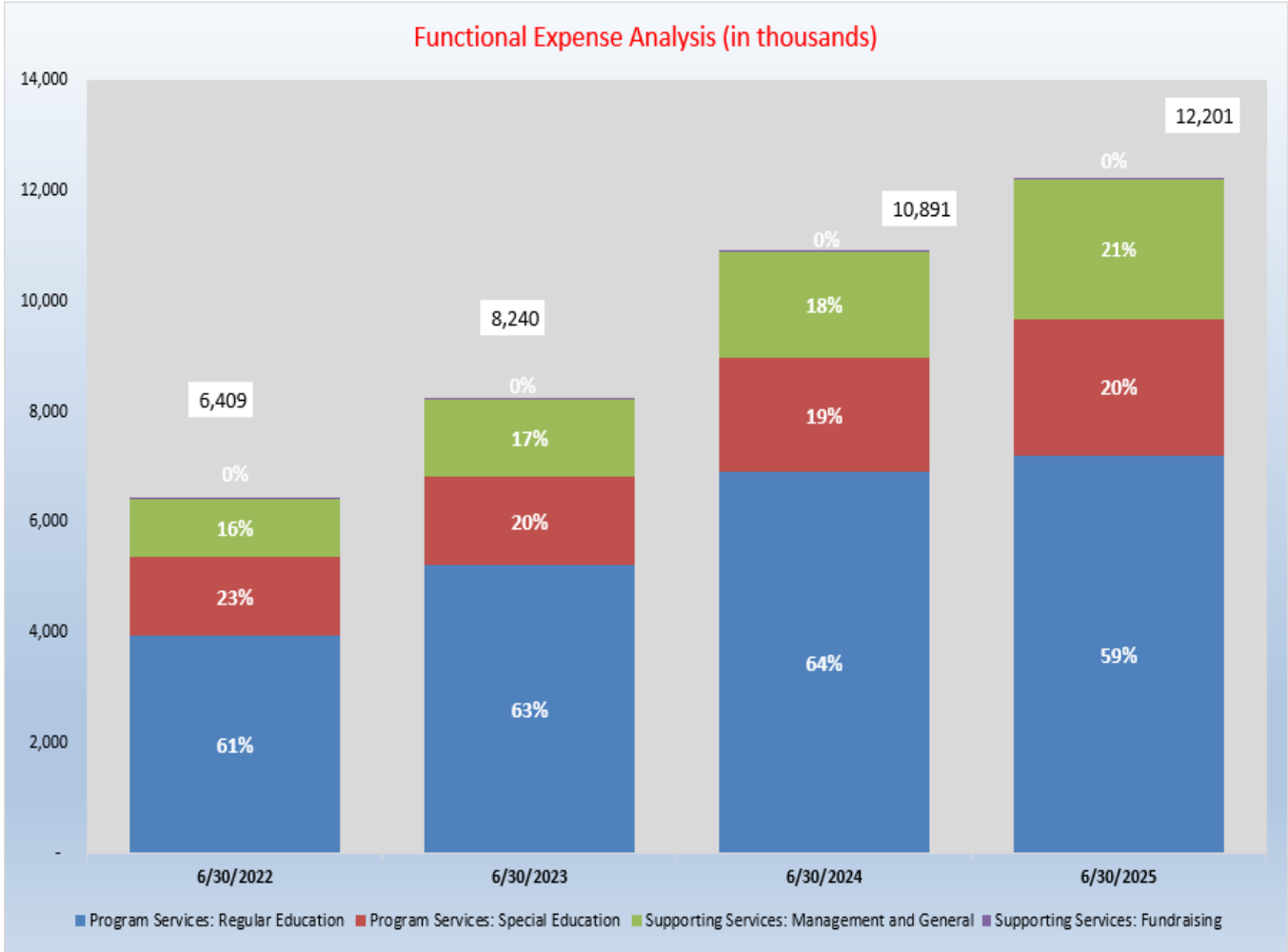
Historical Trends



Historical Trends



Historical Trends



Overview & Status of Our Audit

We have substantially completed our audit of the financial statements as of and for the year ended June 30, 2025. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- ▶ The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.
- ▶ The scope of the work performed was substantially the same as that described to you in our earlier Audit Plan communications.
- ▶ We expect to issue an unmodified opinion on the financial statements and release our report in October.
- ▶ Our responsibility for other information in documents containing the School's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we will read the information included by the School and considered whether such information, or the manner of its presentation, is materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- ▶ All records and information requested by BDO were freely available for our inspection.



Quality of the School's Financial Reporting

A discussion was held regarding the quality of the School's financial reporting, which included the following:

- ▶ Qualitative aspects of significant accounting policies and practices
- ▶ Our assessment of critical accounting estimates, accounting policies and practices
- ▶ Significant unusual transactions
- ▶ Financial statement presentation
- ▶ New accounting pronouncements
- ▶ Alternative accounting treatments

Areas of Significant Risk

Our areas of significant risk, which are risks with both a higher likelihood of occurrence and a higher magnitude of effect that require special audit considerations, are as follows. Our audit procedures for these risks are detailed starting on page 20.



Revenue Recognition

Management Override Of Control

Detail of Significant Risks & Additional Audit Considerations



Revenue Recognition

CONSIDERATION

- ▶ High inherent risk due to the following factors:
 - Internal pressure to record revenues and expenses in certain periods.
 - Recognition of revenue in appropriate period for multi-year grants.
 - Classification of restricted funds, if any.
 - Transactions billed for which complete documentation does not exist.
 - Receivable not collected within a reasonable time period.
 - Significant transactions may be recorded near year-end.

APPROACH

- ▶ Understand and test the effectiveness of the control environment surrounding revenue recognition.
- ▶ Perform a test of transactions of the School's significant revenue streams by funding source to determine whether revenue has been appropriately recognized.
- ▶ Perform testing of management's processes for calculation of allowance for doubtful accounts and bad debts written off.
- ▶ Analyze the accounts receivable aging and test for accuracy and collections of subsequent cash receipts.
- ▶ Perform a retrospective review of management estimate for allowance for doubtful account to determine if it is reasonable.
- ▶ Perform testing of significant contributions and grants to award letter and grant agreements.

Management override of controls

CONSIDERATION

- ▶ Professional Standards require us to plan and conduct our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.
- ▶ Fraud risk may be impacted by the following characteristics:
 - Incentive or pressure
 - Opportunity
 - Rationalization or attitude
- ▶ Presence of fraud risk factors and how management's controls and programs to detect and prevent fraud may mitigate these risks.
- ▶ Risk of management override of controls.

APPROACH

- ▶ Review management's controls and programs relating to fraud and assess operating effectiveness of such programs.
- ▶ Inquire of management and other client personnel as to knowledge of fraudulent or alleged fraudulent activities.
- ▶ Inquire of those charged with governance about its views about risks of material misstatements, including fraud risk, and whether they are aware of:
 - Tips or complaints regarding the School's financial reporting; and
 - Matters relevant to the audit(s) including, but not limited to, violations or possible violation of laws and regulations.
- ▶ Perform expanded analytical procedures.
- ▶ Consider additional procedures to address any fraud risks identified, including improper revenue recognition and management override of controls.
- ▶ Introduce an element of unpredictability into our procedures by altering the nature, timing, or extent of the procedures when compared to procedures performed in the prior year.
- ▶ Perform focused procedures on any significant unusual transactions, including gaining an understanding of the business purpose [or lack thereof] of the School's entering into the transaction.
- ▶ Obtain an understanding of the Schools' financial relationships and transactions with its executive officers and those charged with governance for risk assessment purposes.
- ▶ Exercise professional skepticism.
- ▶ Communicate with management, those charged with governance, as necessary.

Corrected and Uncorrected Misstatements

- ▶ There were no corrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management.
- ▶ There were no uncorrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we presented to management.

Internal Control Over Financial Reporting



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 our auditing procedures 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.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the School’s internal control over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Control Deficiency	A deficiency in internal control over financial reporting 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.
Significant Deficiency	A deficiency or combination of deficiencies in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Material Weakness	A deficiency or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the School’s financial statements will not be prevented or detected and corrected on a timely basis.

In conjunction with our audit of the financial statements, we noted no material weaknesses.

Detail of Significant Accounting Practices, Policies, Estimates and Disclosures



Significant Accounting Practices, Policies, Estimates and Disclosures

ACCOUNTING PRACTICES, POLICIES, ESTIMATES, AND DISCLOSURES

The following summarizes the more significant required communications related to our audit concerning the School's accounting practices, policies, and estimates :

The School's significant accounting practices and policies are those included in Note 2 to the financial statements. These accounting practices and policies are appropriate, comply with the applicable financial reporting framework and industry practice, were consistently applied, and are adequately described within Note 2 to the financial statements.

- ▶ A summary of recently issued accounting pronouncements is included in Note 2 to the School's financial statements.
- ▶ There were no changes in significant accounting policies and practices during 2025

Critical accounting estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The School's critical accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in the financial statements.

Significant Accounting Estimates

Allocation of Functional Expenses

Depreciation and Amortization Expenses

Allowance on accounts/contribution receivable

Net Present Value of Operating Leases

- ▶ Management did not make any significant changes to the processes or significant assumptions used to develop the critical accounting estimates in 2025.

Additional Required Communications



Other Required Communications

Following is a summary of other required items, along with specific discussion points as they pertain to the School:

Requirement	Discussion Point
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Plan communications.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the School's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
Alternative accounting treatment	No alternative accounting treatments permissible under the applicable financial reporting framework for policies and practices related to material items were identified and discussed with management.
Significant unusual transactions	During the year ended June 30, 2025, we were not aware of any significant unusual transactions.
Nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.

Other Required Communications

Following is a summary of other required items, along with specific discussion points as they pertain to the School:

Requirement	Discussion Point
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of requirements of an applicable financial reporting framework.

Other Required Communications

Following is a summary of other required items, along with specific discussion points as they pertain to the School:

Requirement	Discussion Point
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the School's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
Matters that are difficult or contentious for which the auditor consulted outside the engagement team	There were no difficult or contentious matters that we consulted with others outside the engagement team that we reasonably determined to be relevant to those charged with governance regarding their oversight of the financial reporting process.

Independence

Our engagement letter to you dated May 23, 2025 describes our responsibilities in accordance with professional standards and certain regulatory authorities regarding independence and the performance of our services. This letter also stipulates the responsibilities of the School with respect to independence as agreed to by the School. Please refer to that letter for further information.





Obtaining Information from Those Charged with Governance

We perform inquiries related to fraud and other matters to help inform our audit strategy and execution of our audit procedures. As part of the upcoming meeting with you, we would like to discuss the following topics with you to understand any matters of which you believe we should be aware, including, but not limited to:

- ▶ Your views about the risk of material misstatements due to fraud, including the risk of management override of controls
- ▶ How you exercise oversight over the Organization's assessment of fraud risks and the establishment of controls to address these risks
- ▶ Your awareness of any actual, alleged or suspected fraud or illegal acts affecting the Organization
- ▶ Your awareness of tips or complaints regarding the Organization's financial reporting and your response to such tips and complaints
- ▶ Your awareness of other matters relevant to the audit including, but not limited to, violations or possible violations of laws or regulations
- ▶ Your awareness of noncompliance with laws and regulations to include consideration of noncompliance with provisions of contracts and grant agreements.
- ▶ Your awareness of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- ▶ Your awareness of any significant communications between the Organization and regulators
- ▶ Your understanding of the Organization's relationships and transactions with related parties that are significant to the Organization
- ▶ Any business relationships between a BDO firm and the Organization or its affiliates
- ▶ Whether the Organization has entered into any significant unusual transactions
- ▶ Your awareness of any other information that is important to the identification and assessment of risks of material misstatement.

Other Topics



BDO's System of Quality Management

An audit firm's effective system of quality management ("SoQM") is crucial for supporting the consistent performance of high-quality audits and reviews of financial statements, or other assurance or related services engagements under professional standards, and applicable legal and regulatory requirements.

Accordingly, BDO has implemented a SoQM designed to provide reasonable assurance that its professionals fulfill their responsibilities and conduct engagements in accordance with those standards and requirements. The firm's SoQM supports the consistent performance of quality audits through many ongoing activities including, at least annually, certification by leaders with responsibility for key controls and related processes. Our Assurance Quality Management team performs regular reviews and testing of key controls and processes throughout the SoQM and identifies and communicates areas for improvement. In addition, our Audit Quality Advisory Council supports our SoQM by providing guidance and input on audit quality initiatives.

As required by International Standard on Quality Management 1 (ISQM 1) under the International Auditing and Assurance Standards Board (IAASB), BDO has conducted an evaluation of the effectiveness of its system of quality management and concluded, as of July 31, 2024, that, except for certain deficiencies related to the execution of its issuer audits, that system provides the reasonable assurance that our professionals will perform audits and reviews of financial statements or related assurance services engagements in accordance with professional standards, and applicable legal and regulatory requirements. BDO has either implemented or is designing remedial actions to address those deficiencies prior to our next evaluation.



We will continue to provide you with updates on our progress. Currently, you may find discussion of BDO's system of quality management within our annual [Audit Quality Reports](#), the most recent of which is accessible [here](#).

[CLICK HERE TO ACCESS IAASB ISQM-1 IN ITS ENTIRETY >](#)

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Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your needs.

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