

**ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL**

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FINANCIAL STATEMENTS

JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Rochdale Early Advantage Charter School

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

We have audited the accompanying financial statements of Rochdale Early Advantage Charter School (the "School"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rochdale Early Advantage Charter School as of June 30, 2016, 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 Rochdale Early Advantage Charter School's 2015 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 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 26, 2016, on our consideration of Rochdale Early Advantage Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rochdale Early Advantage Charter School's internal control over financial reporting and compliance.

**MBAF CPAs, LLC**

New York, NY  
October 26, 2016

**ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL**

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2015)

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
Cash	\$ 1,755,145	\$ 1,367,873
Cash - restricted	100,171	100,161
Grants receivable	170,715	21,162
Prepaid expenses and other assets	22,500	42,902
Property and equipment, net	189,064	203,637
Construction in progress - deposit	-	560,000
Due from construction company	400,000	-
	<b><u>\$ 2,637,595</u></b>	<b><u>\$ 2,295,735</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 33,709	\$ 40,527
Accrued salaries and other payroll related expenses	260,443	252,735
Due to NYC Department of Education	4,510	-
	<u>298,662</u>	<u>293,262</u>
 <b>NET ASSETS</b>		
Unrestricted	<u>2,338,933</u>	<u>2,002,473</u>
	<b><u>\$ 2,637,595</u></b>	<b><u>\$ 2,295,735</u></b>

The accompanying notes are an integral part of these financial statements.

**ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL**

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUE</b>		
State and local per pupil operating revenue	\$ 4,280,284	\$ 3,913,928
Federal grants	103,638	79,762
State grants	19,252	22,305
	<u>4,403,174</u>	<u>4,015,995</u>
<b>EXPENSES</b>		
Program		
General education	3,132,985	2,684,438
Special education	503,546	372,685
Management and general	437,602	439,851
Fundraising	-	833
	<u>4,074,133</u>	<u>3,497,807</u>
<b>SURPLUS FROM SCHOOL OPERATIONS</b>	<u>329,041</u>	<u>518,188</u>
<b>SUPPORT AND OTHER INCOME</b>		
Contributions, grants and other income	7,409	19,389
Interest income	10	27
	<u>7,419</u>	<u>19,416</u>
<b>CHANGE IN NET ASSETS</b>	336,460	537,604
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>2,002,473</u>	<u>1,464,869</u>
<b>NET ASSETS - END OF YEAR</b>	<u><b>\$ 2,338,933</b></u>	<u><b>\$ 2,002,473</b></u>

The accompanying notes are an integral part of these financial statements.

**ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL**

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	No. of Positions	Program Services			Supporting Services		2016	2015
		General Education	Special Education	Total	Management and General			
<b>FUNCTIONAL EXPENSES</b>								
<b>Personnel Services Costs</b>								
Administrative staff personnel	6	\$ 170,419	\$ 24,929	\$ 195,348	\$ 263,302	\$ 458,650	\$ 537,687	
Instructional personnel	35	1,337,999	299,921	1,637,920	-	1,637,920	1,338,216	
Non-instructional personnel	-	-	-	-	-	-	75,885	
Total salaries and staff	41	1,508,418	324,850	1,833,268	263,302	2,096,570	1,951,788	
Payroll taxes and employee benefits		282,479	60,834	343,313	49,397	392,710	311,376	
Legal fees		-	-	-	753	753	2,651	
Accounting and audit services		-	-	-	55,381	55,381	63,650	
Professional fees - other		287,177	46,084	333,261	21,544	354,805	258,515	
Rent expense		424,860	-	424,860	13,140	438,000	353,576	
Repairs and maintenance		23,341	249	23,590	686	24,276	28,798	
Insurance		18,353	3,953	22,306	7,962	30,268	28,587	
Non-capitalized equipment and furnishings		2,624	569	3,193	-	3,193	21,882	
Staff development		30,323	6,572	36,895	2,478	39,373	33,805	
Student and staff recruitment		8,867	1,918	10,785	-	10,785	10,447	
Technology		46,873	-	46,873	1,450	48,323	42,992	
Supplies and materials		153,937	33,362	187,299	1,456	188,755	128,826	
Food services		6,471	1,402	7,873	-	7,873	6,863	
Student services		84,379	18,287	102,666	-	102,666	91,173	
Office expense		23,608	5,084	28,692	12,956	41,648	46,002	
Advertising		1,748	382	2,130	-	2,130	2,237	
Depreciation and amortization		74,327	-	74,327	2,297	76,624	114,639	
Architect and construction related fees		155,200	-	155,200	4,800	160,000	-	
		<b>\$ 3,132,985</b>	<b>\$ 503,546</b>	<b>\$ 3,636,531</b>	<b>\$ 437,602</b>	<b>\$ 4,074,133</b>	<b>\$ 3,497,807</b>	

The accompanying notes are an integral part of these financial statements.

**ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL**

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from operating revenue	\$ 4,258,131	\$ 4,004,036
Other cash received	7,409	19,389
Cash paid to employees and suppliers	<u>(3,816,217)</u>	<u>(3,317,194)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>449,323</b>	<b>706,231</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(62,051)</u>	<u>(195,802)</u>
<b>NET INCREASE IN CASH</b>	<b>387,272</b>	<b>510,429</b>
<b>CASH - BEGINNING OF YEAR</b>	<u><b>1,367,873</b></u>	<u><b>857,444</b></u>
<b>CASH - END OF YEAR</b>	<u><b>\$ 1,755,145</b></u>	<u><b>\$ 1,367,873</b></u>
 <b>Reconciliation of change in net assets to net cash provided by operating activities:</b>		
Change in net assets	\$ 336,460	\$ 537,604
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	76,624	114,639
Changes in operating assets and liabilities:		
Cash - restricted	(10)	(27)
Grants receivable	(149,553)	8,521
Prepaid expenses and other assets	20,402	(31,318)
Accounts payable and accrued expenses	(6,818)	7,346
Accrued salaries and other payroll related expenses	7,708	98,869
Deferred rent and other incentives	-	(8,923)
Due to NYC Department of Education	4,510	(20,480)
Due from construction company	<u>160,000</u>	<u>-</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>\$ 449,323</b></u>	<u><b>\$ 706,231</b></u>

The accompanying notes are an integral part of these financial statements.



# ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

### 1. NATURE OF THE ORGANIZATION

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Rochdale Early Advantage Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on December 15, 2009 to operate a charter school pursuant to Article 56 of the Educational Law of the State of New York. On January 15, 2008, the Board of Regents of the University of the State of New York granted the School a provisional charter. The charter is renewable by the Board of Regents of the University of the State of New York once the term expires. The School opened its doors in the Fall of 2010 in Rochdale, New York with a rigorous academic program and a highly structured and supportive school culture. The School received an extension to their charter term to June 30, 2017 and is currently in the process of renewing their charter.

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

The School's primary sources of income are from government funding.

The School operates classes for students in pre-kindergarten to 5<sup>th</sup> grades.

### 2. SIGNIFICANT ACCOUNTING POLICIES

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#### Financial Statement Presentation

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

The classification of the School's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Permanently Restricted – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School.

Temporarily Restricted – Net assets resulting from contributions and other inflows of assets whose use by the School are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. However, if a restriction is fulfilled in the same period in which the contribution is received, the School reports the support as unrestricted.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

The School has no temporarily or permanently restricted net assets at June 30, 2016.

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### **Cash - Restricted**

At June 30, 2016 and 2015, an escrow account of \$100,171 and \$100,161, respectively, is held aside for contingency purposes as required by the New York City Department of Education ("NYCDOE"). NYCDOE requires that by the third year of the School's operations the escrow account must be at least \$70,000.

### **Grants Receivable**

Grants receivable represent amounts due from federal and state grants. Grants receivable are expected to be collected within one year, are recorded at net realizable value, and amount to \$170,715 and \$21,162 at June 30, 2016 and 2015, respectively. The School has determined that no allowance for uncollectible accounts for grants receivable is necessary at June 30, 2016. Such estimate is based on management's assessments of the creditworthiness of its grantors, the aged basis of its receivables, as well as current economic conditions and historical information.

### **Revenue Recognition**

Revenue from the state and local governments is based on the number of students enrolled and is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the School when qualifying expenditures are incurred and billable. Funds received in advance for which qualifying expenditures have not been incurred are reflected as due to the NYCDOE in the accompanying statement of financial position.

### **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 life of the asset or the period covered by the charter. The School has established a \$1,000 threshold above which assets are evaluated to be capitalized. Property and equipment acquired with certain government contract funds is recorded as an expense pursuant to the terms of the contract in which the government funding source retains ownership of the property. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized.

### **Impairments**

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 required to be recognized for the years ended June 30, 2016 and 2015.

### **Advertising**

The School expenses advertising costs as incurred. The School incurred \$2,130 and \$2,237 of advertising costs for the years ended June 30, 2016 and 2015, respectively.

### **Functional Allocation of Expenses**

Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications using bases determined by management based upon benefits received.

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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#### Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Subsequent Events

The School has evaluated events through October 26, 2016, which is the date the financial statements were available to be issued.

#### Comparative Financial Information

The June 30, 2016 financial statements include certain prior period summarized comparative information in total but not by net asset class. In addition, only certain of the notes to the financial statements for the year ended June 30, 2015 are presented. As a result, the June 30, 2015 comparative information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such June 30, 2015 information should be read in conjunction with the School's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

#### Income Taxes

The School follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, disclosure, and transition.

The School files informational returns in the federal and New York State jurisdictions. With few exceptions, the School is no longer subject to federal, state, or local income tax examinations for fiscal years before 2013.

The School believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the School would classify it as "Interest Expense." The School would classify penalties in connection with underpayments of income tax as "Other Expense."

#### Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. The School is currently evaluating the effect the update will have on its financial statements.

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Recent Accounting Pronouncements (Continued)

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Accounting by lessors remains largely unchanged from current U.S. GAAP. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The School is currently evaluating the effect the update will have on its financial statements.

In August 2016, the FASB issued an accounting standard update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

#### Reclassification

Certain items in the prior year's financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

### 3. PROPERTY AND EQUIPMENT

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

	2016	2015	Estimated Useful Lives
Furniture and fixtures	\$ 140,744	\$ 139,486	7 years
Computer hardware and software	169,921	114,845	3 years
Equipment	28,929	28,929	5 years
Software	1,029	1,029	3 years
			Lesser of the life of the asset or the period covered by the charter
Leasehold improvements	369,265	363,548	
	709,888	647,837	
Less: Accumulated depreciation and amortization	520,824	444,200	
	\$ 189,064	\$ 203,637	

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was \$76,624 and \$114,639, respectively.

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

#### 3. PROPERTY AND EQUIPMENT (CONTINUED)

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In prior years, the School paid a total of \$560,000 for construction costs, which was put on hold in fiscal year 2015. During the year ended June 30, 2016, the construction project was terminated. \$160,000 of the construction costs was for architect and construction related fees. This amount has been expensed during the year ended June 30, 2016. The construction company has agreed to return the remaining \$400,000 by refunding the School in monthly payments of \$50,000, beginning September 2016. Consequently, this amount has been reclassified from construction in progress to due from construction company.

#### 4. AGREEMENTS FOR SCHOOL FACILITIES

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The School entered into a sublease agreement with the New Jerusalem Baptist Church ("NJBC"), effective July 1, 2010. The School is obligated under a non-cancelable sub-lease for office and classroom space expiring on June 30, 2015, with a one year renewal option. On June 28, 2015, the School renewed their operating lease with NJBC for office and classroom space through June 30, 2020. Monthly minimum rental payments under the renewed lease are \$29,000 per month for the term of the lease.

The School also entered into a lease agreement with Holy Unity Baptist Church for additional classroom, or "Annex" space, beginning August 1, 2014 through July 31, 2015. Monthly minimum payments were \$7,500. The School did not renew its lease with Holy Unity Baptist Church.

The School entered into a one year lease agreement with Rescue Church of Christ effective July 1, 2015. The minimum monthly lease payments for the term of the lease are \$7,500. On September 1, 2016, the School renewed their lease with Rescue Church of Christ through June 30, 2017. The minimum monthly lease payments for the term of the lease are \$8,060.

Future minimum rental payments are as follows:

June 30,		
2017	\$	428,600
2018		348,000
2019		348,000
2020		348,000
<b>Total</b>	<b>\$</b>	<b>1,472,600</b>

Rent expense for the years ended June 30, 2016 and 2015 was \$438,000 and \$353,576, respectively, which is included in the accompanying statement of functional expenses under rent.

#### 5. RISK MANAGEMENT

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- A. The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks.
- 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.
- C. The School's charter is up for renewal on June 30, 2017. Although the School anticipates that this renewal will be granted by the authorizers, no assurance can be provided that this will occur.

## ROCHDALE EARLY ADVANTAGE CHARTER SCHOOL

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### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

#### 6. PENSION PLAN

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The School adopted a 403(B) plan (the "Plan") which covers most of the employees. The Plan is a defined contribution plan. Full time employees are eligible to enroll in the Plan on a monthly date with no minimum service time required. The Plan provides for the School to contribute up to 2% of participating employee salary. The School contribution becomes fully vested after 6 years. For the years ended June 30, 2016 and 2015, pension expense for the School was \$30,090 and \$1,625, respectively, which is included in payroll taxes and employee benefits in the accompanying statement of functional expenses.

#### 7. CONCENTRATIONS

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- A. Financial instruments that potentially subject the School to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation insured limit of \$250,000.
- B. The School received approximately 97% of its revenue from the NYCDOE for the year ended June 30, 2016.
- C. The School's grants and other receivables consist of three major grantors at June 30, 2016.
- D. The School's payables consist of two major vendors at June 30, 2016.



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

To the Board of Trustees  
Rochdale Early Advantage Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Rochdale Early Advantage Charter School (the "School"), which comprise the statement of financial position as of June 30, 2016, 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 26, 2016.

**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 of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the School in a separate letter dated October 26, 2016.

### **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.

MBAF CPAs, LLC

New York, NY  
October 26, 2016