



2019-20 School Year Board Meeting #4 Minutes

Frederica Jefferies, CPCS Chair called the meeting to order and welcomed everyone to the CPCS 2018-19 School Year Board Meeting #4 at 6:30 PM on October 16, 2019.

Frederica Jefferies, Chair requested verification from the members present of “The Notice of Meeting” sent to each of the members of the board via email. Each member noted the proper notification was received.

Pursuant to the NY State Public Meetings Law the public notice of meeting was provided in the following manner thus meeting the law’s requirement of media and public notice:

- The Wave via email
- Public Posting at CPCS Office
- CPCS Websites and Social Media Sites

Ben Waxman, Secretary of the Board of Trustees called the roll of the board.

Members present: Frederica Jefferies, Karon McFarlane, Jeremiah C. Gaffney, Ben Waxman and Gertrudis Hernandez

Members absent: Andrew Barnes

Also present: Michael R. Estep. He was given the rights of the floor to speak during the meeting by common consent.

The Chair offered opportunity for any questions from the public. No comments or questions were offered.

1. The agenda was approved by common consent.
2. The Chair called for a review of the minutes of the 2019-20 School Year Board Meeting #3 [Attachment #1]. The minutes were approved by common consent.
3. The Chair called for the report of Dr. Les Mullings, CEO. Dr. Mullings gave a report on the development of the CTE high school and the facilities being retrofitted at 1520 Central Avenue, Far Rockaway, NY. Additionally, he shared an update on the JFK Development and the progress on securing industry partners and funding request in support of three of the CTE pathways – Aviation, Culinary Arts and Hospitality. The report was received with appreciation.



4. Dr. Mullings called for a review of the report of Kentia Coreus, Senior Director of Teaching and Learning [Attachment #2]. The report was received with appreciation.
5. Dr. Mullings called for a review of the report of Nicole Griffin, K-5 Principal [Attachment #3]. The report was received with appreciation.
6. Dr. Mullings called for a review of the report of Mavgar Mondesir-Gordon, 6-8 Principal [Attachment #4]. The report was received with appreciation.
7. Dr. Mullings called for a review of the report of Kimberly Messer, Director of Communications [Attachment #5]. The report was received with appreciation.
8. Dr. Mullings called for a review of the report of Venessa Lynch, Director of Operations [Attachment #6]. The report was received with appreciation.
9. The Chair called for the presentation of the Audit of the June 30, 2019 and 2018 Financial Statements [Attachment #7] by Gus Saliba, Partner PKF O'Connor Davies, LLP. Following discussion, a motion was made by Ben Waxman and seconded by Gertrudis Hernandez to receive the report, the motion carried unanimously.
10. The Chair called for the September 2019 Financial Report [Attachment #8]. Following review, the report was received.

The meeting adjourned by common consent at 7:35 PM

Respectfully submitted:

A handwritten signature in blue ink, appearing to read "Ben Waxman", is written over a light blue circular stamp.

Ben Waxman
Secretary



Attachment #1
See Prior
Month
Minutes for
Minute
Attachments



2019-20 School Year Board Meeting #3 Minutes

Frederica Jefferies, CPCS Chair called the meeting to order and welcomed everyone to the CPCS 2018-19 School Year Board Meeting #3 at 6:30 PM on September 25, 2019.

Frederica Jefferies, Chair requested verification from the members present of “The Notice of Meeting” sent to each of the members of the board via email. Each member noted the proper notification was received.

Pursuant to the NY State Public Meetings Law the public notice of meeting was provided in the following manner thus meeting the law’s requirement of media and public notice:

- The Wave via email
- Public Posting at CPCS Office
- CPCS Website Home Page

Ben Waxman, Secretary of the Board of Trustees called the roll of the board.

Members present: Frederica Jefferies, Karon McFarlane, Jeremiah C. Gaffney, Ben Waxman and Gertrudis Hernandez

Members absent: Andrew Barnes

Also present: Kentia Coreus, Nicole Griffin, Magar Mondesir-Gordon, Eunice Armstrong, Kimberly Messer and Michael R. Estep. They were given the rights of the floor to speak during the meeting by common consent.

The Chair offered opportunity for any questions from the public. No comments or questions were offered.

1. The agenda was approved by common consent.
2. The Chair called for a review of the minutes of the 2019-20 School Year Board Meeting #2 [Attachment #1]. The minutes were approved by common consent.
3. The Chair called for the report of Dr. Les Mullings, CEO. Dr. Mullings gave an update on the development of the high school and the facilities being retrofitted at 1520 Central Avenue, Far Rockaway, NY. Additionally, he indicated that the ground-breaking for the Arverne by the Sea facility has been set for March 2020. The report was received with appreciation.



4. Dr. Mullings called on Kentia Coreus for her report [Attachment #2]. The report was received with appreciation.
5. Dr. Mullings called on Nicole Griffin, K-5 Principal for her report [Attachment #3]. The report was received with appreciation.
6. Dr. Mullings called on Mavgar Mondesir-Gordon, 6-8 Principal for her report [Attachment #4]. The report was received with appreciation.
7. Dr. Mullings called on Eunice Armstrong, Director of Finance for her report [Attachment #7]. The report was received with appreciation.
8. Dr. Mullings called attention to the printed report of Venessa Lynch, Director of Operations for her report [Attachment #5]. The report was received with appreciation.
9. Dr. Mullings called upon Kimberly Messer, Director of Communications for her report [Attachment #6]. The report was received with appreciation.
10. The Chair called for the August 2019 Financial Report [Attachment #7]. Following review, the report was received.

The meeting adjourned by common consent at 7:30 PM

Respectfully submitted:

A handwritten signature in blue ink, appearing to read "Ben Waxman", is written over a light blue circular stamp.

Ben Waxman
Secretary



Attachment #2



Senior Director of Teaching and Learning
October 2019 Board Report #4
 (Covering September 25-October 10)
Kentia Coreus

Enrollment Compliance

Authorized Enrollment	816 (WITH FLOAT: 897)
Current Enrollment	811 (as of October 4, 2019)

2019-20 ELL and SWD Enrollment (as of October 10, 2019)

Grades	# of ELL students	# of SWD students
K-5	17	69
6-8	1	40
TOTAL	18 (2.2%)	109 (13%)

ELL Enrollment Target

The Senior Director of Data at the DOE’s charter office has agreed to provide us with ELL enrollment data for the Greater Far Rockaway area (zip codes 11691, 11692, 11693). This information will help us set realistic targets. Ms. Stanton (K-5 ELL Teacher) and Ms. Rosario will join the Student Recruitment team this school year to focus on ELL student recruitment.

Staffing (as of October 8, 2019)

Elementary

There is one vacancy in K-5 (Gr 5 TA) which will likely be filled by a teacher who once worked with the organization.

Middle

There are four vacancies in 6-8 (6th Gr SS teacher, 7th Gr Math teacher, PE/Health, Spanish).

Ongoing

The Senior Director of Teaching and Learning continues to:

- observe Principal practices
- observe teacher meetings
- observe instruction
- establish relationships with team members
- conduct Principal supervision meetings

Leadership Development Resources

Principals have received a draft of the 2019-2020 Principal Performance review process. For the first time this year, Assistant Principals will also be evaluated with the Vanderbilt Assessment of Leadership in Education (VAL-ED) survey.

Teacher Support and Development

Principal Gordon and seven members of her school team participated in Success Academy's Middle School Literacy workshop on October 3-4 at the Robertson Center. In addition to learning about their literacy curriculum, we were able to observe a few classrooms. SA's curriculum emphasizes rigorous and engaging student literature and careful attention to teacher intellectual prep. ES will have the opportunity to sign-up for this training in January 2020.

October 8 Data Day Highlights

Elementary: Teachers participated in a workshop called *Gathering Data on Student Mastery and Acting on Data and the Culture of Error*.

Middle: Teachers explored research on the school to prison pipeline before acting upon student's i-Ready diagnostic data.

Math Curriculum Support

Lindsay Caparco from the New York City Math Project has started her work at the Elementary school after participating in a meeting with Principal Griffin where priorities were established. Her onsite date are as follows:

October: 3, 15, 22, 29

November: 5 (PD?) or 7, and 12

December: 3, 17

January: 14, 21, 28

February: 6 (TH), 11, 25

March: 3, 10

April: 4, 7

June: 2, 9

Special Education

Challenge Prep will receive a compliance monitoring visit from the DOE's Special Education office on October 17, 2019. We will be visited by Karina and Mariama (and possibly additional members of their team).

Below are the visit expectations as communicated by Anyeli Matos, Executive Director of Operations and Policy in the charter office:

- The team will ask for a sampling of IEPs
- The class schedule and roster of the students in the sampling will be reviewed
- The related services schedule will be reviewed
- They will observe students (in the sampling) in their classes
- They would like to meet with the Principals and Directors/Coordinators of Special Education
- They may visit both school sites but have not firmed this up yet

Key Policy Change: The DOE now requires charter schools to design a program that will meet the needs of all students with IEPs. Schools now have to send a description of their special education program to the CSE to ensure that the CSE only makes IEP recommendations that are available at the school. Schools have the option of requesting approval of an innovative model which would require that the model be included in the charter and approved by the CSE.



Attachment #3



Nicole Griffin, Principal
October 2019
K-5 Principals Report

Elementary Total: 576

Kindergarten- 120

1st grade- 96

2nd grade- 96

3rd grade- 96

4th grade- 95

5th grade- 73

- Continuing the year for the month of September and October with professional development and coaching which included:
 - Unit Planning
 - Lesson planning
 - Checking for Understanding Strategies and Techniques
 - Math planning with NYCMP (New York City Math Project)
 - Teach Like a Champion Techniques

- With guidance and coaching from Ms. Coreus, TeachBoost was used to conduct 5 observations. All observations were targeted and followed with a feedback meeting. The meetings were held with both teacher and TA.
- Unit Plans were submitted by all grades. The unit plans continues to develop. The focus will continue to be on math and writing.
- Math coaching and observations- A trend we see is the discourse of teaching. Staff training focus is planning and instruction focused on number sense and understanding of base ten.
- All staff in grades 3-5 received the state data which includes the Item Analysis.
- Math Tuesday Challenge was launched. Grades K and 3 had the highest average of students meeting proficiency.

Highlights

- Lowe's sponsored the remodeling of the school's gymnasium, Garden Oasis and courtyard. All areas received fresh coats of paint and decorations.
- 12 parents and 8 staff members volunteered their time over the Rosh Hashanah holiday to assist with the painting and remodeling of the school
- 95% of CPCS vacancies have been filled with the exception of the Curriculum & Technology Integration Specialist K-5.

PD Needed

- Culturally Responsive Classroom



Attachment #4



CHALLENGE CHARTER MIDDLE SCHOOL

2019-2020 Principal's Monthly Board Report

Mavgar Mondesir-Gordon, Principal (Grades 6-8)

School Year 2019-2020 Report #4

October 11, 2019

Current CCMS Enrollment:

Cohort Group	Grade Level	September 12, 2019 Enrollment	Enrollment As of October 11, 2019	Change in enrollment
#3	Grade 8	86	86	0%
#4	Grade 7	77	75	-2.6%
#5	Grade 6	74	74	0%
TOTAL		237	235	-0.01%

CCMS A Endance Statistics:

Cohort Group	Grade Level	A Endance Rates	
		Aug 26, '19 - Sep 4, '19	Sep 5, '19 - Sep 26, '19
#3	Grade 8	93.3%	94.0%
#4	Grade 7	88.4%	95.6%
#5	Grade 6	89.8%	96.8%
TOTALS		90.5%	95.5%

Proficiency Statistics of Currently Enrolled Scholars:

Cohort Group	Grade Level	Spring 2019 ELA Proficiency Levels				Spring 2019 Math Proficiency Levels			
		ELA L1	ELA L2	ELA L3	ELA L4	Math L1	Math L2	Math L3	Math L4
#3	G 8	9%	33%	37%	19%	16%	41%	22%	17%
#4	Gr 7	25%	20%	17%	35%	25%	20%	32%	17%
#5	Gr 6	35%	33%	21%	6%	32%	32%	17%	15%
Grades 6 -8		23%	29%	26%	20%	24%	31%	23%	17%



Highlight: Additional Order of Chromebooks for Schoolwide Access

250 Chromebook devices were ordered for CCMS to enable one-to-one access for students during the school day. Having Chromebooks in each room will enable all teachers' seamless inclusion of the blended learning model, utilizing the full suite of Google Apps for Education products, as well as other academic software aiding DDI. Scholars would also be able to complete diagnostic testing schoolwide within the time originally planned for BOY assessments. At the time of this report, almost all classrooms were outfitted with class sets,

Highlight: Clubs

Scholars continue to enjoy Chess, Coding, Culinary Arts, Dance, Debate, Drama, Equestrian, Math, Music, and Step. Clubs are 30 minutes each afternoon, just before dismissal. We are coming up on our first club rotation, which will take place on Monday, October 21, 2019. Club members will submit a 3-minute video presentation of their culminating club project for Session one on Friday, October 18, 2019.

Highlight: School Routines

Scholars have settled into their school routines very well, transitioning between classes and lunch busses swiftly and orderly. Eliminating the pre-lunch visit to homeroom lockers by allowing scholars to take their backpacks to Lunch/PE at Central Avenue cut down on transition time during the middle of the day. Also, the timing of the bus arrivals has improved and remained consistent. Scholars arriving at 12-79 Redfern Avenue are supervised by a member of the Administrative Team in Room 201 from about 7:30 AM daily. As temperatures continue to fall, we will continue this practice for the safety and well-being of our scholars.

Data Day 2019:

The entire CCMS staff participated in a successful CCMS Data Day on Tuesday, October 8, 2019. Before diving into the i-Ready and Item skills Analysis data in breakout sessions, the team was presented with research and materials on disrupting the school-to-prison pipeline, and participated in a panel discussion on the topic which set the purpose for the hard work ahead. The staff remains committed to the scholars of CCMS.

Assessments and Data:

Completion of the i-Ready and Reading Inventory Window 1 diagnostics is expected on October 11, 2019, as 3 remaining scholars need to finish their tests. Preliminary i-Ready Reading results show that 41% of our scholars require Tier 3 intervention for ELA and 29% need it for Math.



Diagnostic Results



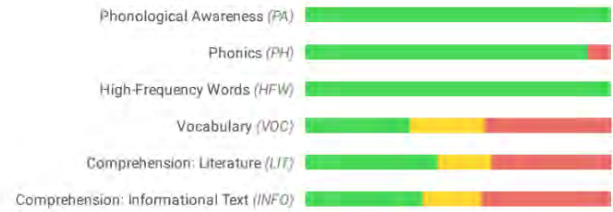
School: CHALLENGE PREP MIDDLE SCHOOL
 Subject: Reading
 Academic Year: 2019 - 2020
 Diagnostic: Window 1
 Prior Diagnostic: None

Students Assessed/Total: 227/235

Overall Placement



Placement By Domain



Switch Table View Show Results By: **Grade**

Placement Summary

Showing 3 of 3

Grade	Overall Grade-Level Placement	Students Assessed/Total
Grade 6	 23% 32% 45%	74/74
Grade 7	 42% 17% 42%	72/75
Grade 8	 49% 15% 36%	81/86

i-Ready Window 1 Reading Results - Grades 6-8



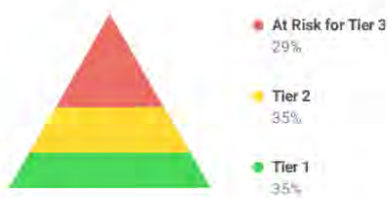
Diagnostic Results



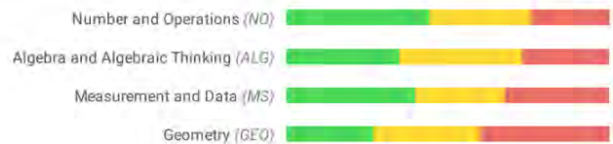
School: CHALLENGE PREP MIDDLE SCHOOL
 Subject: Math
 Academic Year: 2019 - 2020
 Diagnostic: Window 1
 Prior Diagnostic: None

Students Assessed/Total: 235/235

Overall Placement



Placement By Domain



Switch Table View | Show Results By: Grade

Placement Summary

Showing 3 of 3

Grade	Overall Grade-Level Placement	Students Assessed/Total
Grade 6	 26% 38% 36%	74/74
Grade 7	 40% 35% 25%	75/75
Grade 8	 40% 34% 27%	86/86

i-Ready Window 1 Math Results - Grades 6-8

Academic Interventions:

The CCMS game plan to ensure scholar success this school year includes employment of the following tools and practices:

- Daily USSR - 15 minutes of uninterrupted, silent, sustained reading during the first teaching period of the day.
- Daily Math Story - 10 minutes of a grade-level Math problem solved individually during Period 11.



- Pulled-out Guided Reading for 57 of our below-benchmark scholars who have a history of consecutive Level 1 proficiency and have yielded i-Reading Reading results on Grade 4 and below. These groups will be served by members of the Administrative Team and specialty teachers. Pull-outs will take place for 30 minutes during Science or Social Studies periods daily.
- Pulled-out Guided Math for 67 of our below-benchmark scholars who have a history of consecutive Level 1 proficiency and have yielded i-Reading Math results on Grade 4 and below. These groups will also be served by members of the Administrative Team and specialty teachers. Pull-outs will take place for 30 minutes during Science or Social Studies periods daily.
- Read180 intervention program for 110 of our below-benchmark scholars to use during some ELA periods.
- Sound Reading, which is a software program designed to help our scholars who are struggling with phonics.
- Junior Great Books for schoolwide use to improve scholars' use of the Socratic Seminar method.
- i-Ready Online Instruction for ELA and Math.
- ReadyBooks to complement the use of i-Ready Online Instruction.
- After-School ELA and Math tutoring for Below-Benchmark students.

After School:

An in-house poll of all scholars showed a vast interest in sporting activities for after school, especially basketball, volleyball, and soccer. After school logistical planning is still underway, with permission slips going home to parents offering 2 sports (basketball and soccer) 2 evenings per week. We have also sent letters to the parents/guardians of our below-benchmark scholars as we have seen a significant number of Grade 6 scholars earning i-Ready grade equivalency levels as low as 1st Grade. After school tutoring will be offered 4 days per week.

Parent Reports:

CCMS reports to parents were delayed due to the extended time needed to complete Window 1 diagnostics. Reports will be sent on Friday, October 11 to coincide with parents' receipt of the below-benchmark intervention letters.

Scholar Incentives

- Critical Friend Dr. Cindy Burgos is seeking grants in the amount of \$2,000 to allow us to reward scholars for earned Spring 2019 proficiency. Scholars earning Level 3 will be rewarded with \$20. Scholars earning a Level 4 will receive \$30. All scholars who made gains will receive a certificate of achievement. We are still awaiting word on this.



- Vending machines have been installed at the Central Avenue and Redfern buildings. As an incentive for making good decisions, scholars are allowed supervised visits at set times of the day.

Instructional Walkthroughs

The CCMS Admin Team continues Instructional walkthroughs. CCMS continues to use TeachBoost for all instructional supervision feedback and tracking. We have also received support from the Senior Director of Teaching and Learning in the observation of lessons. Feedback is used to strengthen instructional practices. Teachers will have 10 short observations and 2 long observations for the school year.

Upcoming Events:

- Oct 15: Grade 6 Trip to MoMath
- Oct 17: Middle School Workshop for Rising 6th-graders and parents (5:30 PM to 6:30 PM)
- Oct 21: Fall Picture Day
- Oct 22: Senior portraits
- Oct 22: High School Workshop for CCMS 8th-grade Parents (5:30 PM to 6:30 PM)
- Oct 25: Grades 6-8 Trip to The American Museum of Natural History
- Oct 29: Grade 7 Trip to MoMath



Attachment #5

Challenge Charter Schools Communications Report October 2019

Kim Messer, Director

Application/Enrollment Materials

- Updated School Flyer and Application details done; Spanish version in process
- Open House presentation updated
- 8th Grade commitment letter in conjunction with Mrs. Bratton

Branding/Marketing

- 2500 word/4-page spread article for Schneps Media to be published in Caribbean Life 10/18
- Articles on Kentia Coreus and K-5 Garden Oasis published with good response

Social Media

- Seeing growth of K-5 engagement
- Middle School engagement down

Professional Development

- Attended NE School Public Relations Summit (#NESCHOOLCOMM2019) on Oct 15 and 16 on topics of Crisis Communications and School Branding
- Follow up needed to create comprehensive Crisis Communications Plan as it relates to our Emergency Response Plan
- Follow up needed on School Branding with key leaders to share some of the ideas presented that could help us with Onboarding, Community recognition, and Storytelling



Attachment #6



Rev. Dr. Les Mullings, Founder/CEO

October 16, 2019

Re: October 16, 2019 Operations Report

By: Venessa Foster, Director of Operations

I. Compliance

- 710 Location had an inspection this month, all recommendations have been taken into consideration and will be addressed accordingly
- Undergoing Safety drills to be in compliance with the DOE requirements

II. Security

- Security remains stable
- Recruiting for new Security Guards
- Security Manual implemented

III. Facilities

- Currently working with the landlord to address HVAC and heat system issues at CPCS
- Preparing buildings for season change. Winterizing for the months ahead
- Currently trying to formulate an action plan to address facility tickets with the landlord in a timely fashion, to ensure we are providing the best environment for our school community
- Rolling out new initiatives to engage scholars respecting and ensuring our school community is kept clean
- Lowes Hero Project at 710 Hartman Ln a success! Thank you again Coach Reily,
- On boarding new custodians

IV. School Foods

- Removing Snack Program from MS due to changes and feedback
- Our kitchen staff remains the same and is stable
- Vending Machines have been installed at all 3 locations

V. Health

- Nurses are communicating with families to ensure we are in compliance with updated health
- Currently working on immunization data for ATS
- Informing families of new exemption criteria as well as the

VI. Transportation

- Metro Cards have been distributed to scholars that should receive
- Bussing remains smooth
- New transportation company that was onboarded for shuttle services this school year has continued to run smooth

Challenge Preparatory Charter School, K-5

Nicole Griffin, K-5 Principal

710 Hartman Lane, Far Rockaway, NY 11691

Phone: 718-327-1352

Email: ngriffin@challengecharterschools.org

www.challengeprepcharter.org

Challenge Charter Schools

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Challenge Charter Middle School, 6-8

Mavgar Mondesir-Gordon, 6-8 Principal

1526 Central Avenue, Far Rockaway, NY 11691

Phone: 718-327-4040

Email: mmondesir@challengecharterschools.org

www.challengechartermiddle.org



Attachment #7

Challenge Preparatory Charter School

Financial Statements

June 30, 2019 and 2018



Independent Auditors' Report

**Board of Trustees
Challenge Preparatory Charter School**

Report on the Financial Statements

We have audited the accompanying financial statements of Challenge Preparatory Charter School (the "School"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity'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 the School as of June 30, 2019 and 2018, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, Challenge Preparatory Charter School adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2019, 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.

PKF O'Connor Davies, LLP
Harrison, New York
October 4, 2019

Challenge Preparatory Charter School

Statements of Financial Position

	June 30,	
	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,332,264	\$ 2,187,266
Grants and contracts receivable	547,628	593,615
Prepaid expenses and other current assets	<u>195,761</u>	<u>213,154</u>
Total Current Assets	3,075,653	2,994,035
Property and equipment, net	834,601	832,167
Restricted cash	70,000	70,000
Security deposits	<u>333,576</u>	<u>282,592</u>
	<u>\$ 4,313,830</u>	<u>\$ 4,178,794</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 272,931	\$ 321,611
Accrued payroll and payroll taxes	986,464	628,570
Deferred rent, current portion	<u>238,992</u>	<u>274,996</u>
Total Current Liabilities	1,498,387	1,225,177
Deferred rent	<u>2,009,726</u>	<u>1,698,727</u>
Total Liabilities	3,508,113	2,923,904
Net assets, without donor restrictions	<u>805,717</u>	<u>1,254,890</u>
	<u>\$ 4,313,830</u>	<u>\$ 4,178,794</u>

See notes to financial statements

Challenge Preparatory Charter School

Statements of Activities

	Year Ended June 30,	
	2019	2018
REVENUE AND SUPPORT		
State and local per pupil operating revenue	\$ 13,357,655	\$ 12,490,324
State and local per pupil facilities funding	545,977	528,754
Federal grants	390,912	429,042
State grants	60,047	61,705
Contributions, grants and other income	357,749	37,343
Rental income	94,080	-
Total Revenue and Support	14,806,420	13,547,168
EXPENSES		
Program Services		
Regular education	10,484,175	9,256,726
Supporting services	2,805,007	2,534,391
Total Program Services	13,289,182	11,791,117
Supporting Services		
Management and general	1,900,807	2,366,807
Fundraising	65,604	40,200
Total Expenses	15,255,593	14,198,124
Change in Net Assets	(449,173)	(650,956)
NET ASSETS		
Beginning of year	1,254,890	1,905,846
End of year	\$ 805,717	\$ 1,254,890

See notes to financial statements

Challenge Preparatory Charter School

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services			Management and General	Fundraising	Total
	Regular Education	Special Education	Total			
Salaries	\$ 5,330,510	\$ 1,501,526	\$ 6,832,036	\$ 946,891	\$ 3,314	\$ 7,782,241
Payroll taxes and employee benefits	1,049,829	293,335	1,343,164	185,265	15,439	1,543,868
Professional development	164,212	27,949	192,161	31,350	-	223,511
Audit and accounting fees	-	-	-	29,000	-	29,000
Legal fees	-	-	-	2,539	-	2,539
Financial management fees	-	-	-	142,453	-	142,453
Consulting fees	559,898	150,350	710,248	88,963	7,413	806,624
Contractual services	209,984	35,740	245,724	-	-	245,724
Teacher and student recruitment	74,097	12,612	86,709	-	-	86,709
Student services and staff team building	67,489	11,486	78,975	3,246	-	82,221
Curriculum and classroom materials	397,036	67,576	464,612	-	-	464,612
Occupancy	1,933,734	540,308	2,474,042	341,246	28,437	2,843,725
Utilities	119,627	33,425	153,052	21,112	1,759	175,923
Office supplies	82,181	22,962	105,143	22,780	1,209	129,132
Postage and delivery	2,196	614	2,810	388	32	3,230
Telephone and internet services	48,452	8,627	57,079	6,118	1,040	64,237
Information technology	70,368	17,199	87,567	11,202	828	99,597
Insurance	72,386	20,225	92,611	12,774	1,064	106,449
Fundraising expense	-	-	-	-	2,880	2,880
Dues and subscriptions	6,941	1,181	8,122	-	-	8,122
Depreciation and amortization	146,358	18,294	164,652	18,294	-	182,946
Maintenance and repairs	148,877	41,598	190,475	26,273	2,189	218,937
Miscellaneous	-	-	-	10,913	-	10,913
Total Expenses	\$ 10,484,175	\$ 2,805,007	\$ 13,289,182	\$ 1,900,807	\$ 65,604	\$ 15,255,593

See notes to financial statements

Challenge Preparatory Charter School

Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services			Management and General	Fundraising	Total
	Regular Education	Special Education	Total			
Salaries	\$ 4,714,384	\$ 1,369,286	\$ 6,083,670	\$ 1,109,348	\$ 20,095	\$ 7,213,113
Payroll taxes and employee benefits	1,113,549	322,740	1,436,289	260,618	4,721	1,701,628
Professional development	86,114	15,122	101,236	6,535	-	107,771
Audit and accounting fees	-	-	-	25,250	-	25,250
Legal fees	-	-	-	23,793	-	23,793
Financial management fees	-	-	-	210,109	-	210,109
Consulting fees	497,693	131,863	629,556	123,764	1,650	754,970
Contractual services	195,910	34,403	230,313	-	-	230,313
Teacher and student recruitment	70,254	12,337	82,591	-	-	82,591
Student services and staff team building	171,686	30,149	201,835	2,915	-	204,750
Curriculum and classroom materials	318,227	55,882	374,109	-	-	374,109
Occupancy	1,421,393	412,841	1,834,234	334,470	6,059	2,174,763
Utilities	87,413	25,389	112,802	20,568	373	133,743
Office supplies	78,248	22,727	100,975	27,197	334	128,506
Postage and delivery	4,071	1,182	5,253	959	17	6,229
Telephone and internet services	55,212	6,901	62,113	5,523	1,380	69,016
Information technology	71,463	14,884	86,347	12,015	1,041	99,403
Insurance	55,824	16,213	72,037	13,136	238	85,411
Fundraising expense	-	-	-	-	3,705	3,705
Dues and subscriptions	5,555	975	6,530	-	-	6,530
Loss on abandonment of property	-	-	-	136,611	-	136,611
Depreciation and amortization	172,041	21,505	193,546	21,506	-	215,052
Maintenance and repairs	137,689	39,992	177,681	32,400	587	210,668
Miscellaneous	-	-	-	90	-	90
Total Expenses	\$ 9,256,726	\$ 2,534,391	\$ 11,791,117	\$ 2,366,807	\$ 40,200	\$ 14,198,124

See notes to financial statements

Challenge Preparatory Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (449,173)	\$ (650,956)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	182,946	215,052
Deferred rent	274,995	192,556
Loss on abandonment of property	-	136,611
Changes in operating assets and liabilities		
Grants and contracts receivable	45,987	(247,977)
Prepaid expenses and other current assets	17,393	31,381
Security deposits	(50,984)	-
Accounts payable and accrued expenses	(48,680)	161,739
Accrued payroll and payroll taxes	357,894	130,260
Net Cash from Operating Activities	330,378	(31,334)
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(185,380)	(211,077)
Net Change in Cash and Cash Equivalents	144,998	(242,411)
CASH AND CASH EQUIVALENTS		
Beginning of year	2,187,266	2,429,677
End of year	\$ 2,332,264	\$ 2,187,266

See notes to financial statements

Challenge Preparatory Charter School

Notes to Financial Statements
June 30, 2019 and 2018

1. Organization and Tax Status

Challenge Preparatory Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on February 9, 2010 to operate a Charter School pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on February 9, 2010 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. During 2019, the Board of Regents extended the School's charter through June 30, 2024. The School's educational philosophy promotes high levels of academic achievement and tailoring instruction to ensure that academic needs of all students are met. The School's founders believe that good instruction recognizes the interrelation of content knowledge and higher order thinking and that, accordingly, good instruction should reflect a balanced approach to learning. Classes commenced in Far Rockaway, New York in August 2011 and the School provided education to approximately 775 students in kindergarten through eighth grade during the 2018-2019 academic year. The most recent charter renewal allows the School to serve grades 9-12 starting in the year ended June 30, 2020.

The New York City Department of Education provides free lunches and transportation directly to some of the School's students. Such costs are not included in these financial statements. The School covers a portion of the cost of lunches for children not entitled to the free lunches.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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. Accordingly, actual results could differ from those estimates.

Challenge Preparatory Charter School

Notes to Financial Statements
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Change in Accounting Principle

On July 1, 2018, the School adopted new guidance regarding the Presentation of Financial Statements for Not-for Profit Entities. This guidance requires the School to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the School to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses both by their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for unrestricted net assets were reclassified as net assets without donor restrictions.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions as of June 30, 2019 and 2018.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances held in bank accounts and highly liquid financial instruments with maturities of three months or less at the time of purchase.

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

Challenge Preparatory Charter School

Notes to Financial Statements
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$3,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset which is up to twenty years. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Computers and equipment	3 to 5 years
Furniture and fixtures	5 years
Software	3 years
Standby generator	15 years
Website development	15 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2019 and 2018.

Revenue and Support

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Challenge Preparatory Charter School

Notes to Financial Statements
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies *(continued)*

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2016.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 4, 2019.

3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state, city entitlements and grants, and a private grant. The School expects to collect these receivables within one year and has not provided an allowance for doubtful accounts.

4. Property and Equipment

Property and equipment consisted of the following at June 30:

	2019	2018
Computers and equipment	\$ 464,494	\$ 403,138
Furniture and fixtures	402,273	370,322
Software and website development	28,289	28,289
Standby generator	127,589	127,589
Leasehold improvements	492,065	399,992
Construction in progress	300,000	300,000
	1,814,710	1,629,330
Accumulated depreciation and amortization	(980,109)	(797,163)
	<u>\$ 834,601</u>	<u>\$ 832,167</u>

Construction in progress at June 30, 2019 and 2018 consists of soft costs associated with the new facilities at 15-20 Central Avenue, Queens, New York (see Note 9).

Challenge Preparatory Charter School

Notes to Financial Statements
June 30, 2019 and 2018

5. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30, 2019:

Cash and cash equivalents	\$ 2,332,264
Grants and contracts receivable	<u>547,628</u>
	<u>\$ 2,879,892</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in money market accounts and other liquid instruments until it is required for operational use. To help manage unanticipated liquidity needs, the School has a line of credit in the amount of \$50,000, which it could draw upon as further disclosed in Note 10.

6. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 3% of annual compensation. Employer match for the years ended June 30, 2019 and 2018 amounted to \$154,572 and \$139,140.

7. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2019 and 2018, approximately \$2,081,000 and \$1,938,000 of cash was maintained with an institution in excess of FDIC limits.

8. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2019 and 2018, the School received approximately 94% and 96% of total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

Challenge Preparatory Charter School

Notes to Financial Statements
June 30, 2019 and 2018

9. Commitments

On December 10, 2010, the School entered into a non-cancelable operating lease for office and classroom space at 710 Hartman Lane, Far Rockaway, New York, expiring on May 31, 2032. The lease includes a yearly rent escalation of 3%, and requires the School to pay for utilities and other office costs. The School moved into this facility on April 16, 2012, and it currently houses grades K-5.

On December 5, 2014, the School entered into an agreement to lease additional property at 15-26 Central Avenue, Queens, New York, expiring on May 31, 2026. The lease commenced on September 19, 2015 and includes a yearly rent escalation of 3%, and requires the School to pay for utilities and other office costs. This location was the home of Challenge Preparatory Middle School from the 2015-2016 through the 2017-2018 academic years and is currently being used as office space.

On September 29, 2015, the School entered into an agreement to lease additional property at 15-20 Central Avenue, Queens, New York, expiring on August 31, 2040. The lease is projected to commence in August 2020 and includes a yearly rent escalation of 3%, and requires the School to pay for utilities and other office costs. This location will be used to house grades 9-12 when the School first occupies the facility.

On September 1, 2018, the School entered into an agreement to lease additional property at 12-79 Redfern Avenue, Queens, New York, expiring on August 31, 2034. The lease commenced on September 1, 2018 and includes a yearly rent escalation of 3%, and requires the School to pay for utilities and other office costs. This location became the home of Challenge Preparatory Middle School starting with the 2018-2019 academic year.

The future minimum lease payments for the four facility leases are as follows for years ending June 30:

2020	\$ 4,118,657
2021	4,415,009
2022	4,547,460
2023	4,683,882
2024	4,824,400
Thereafter	<u>64,714,319</u>
	<u>\$ 87,303,727</u>

The School recognizes rent expense on a straight-line basis over the term of the leases. Rent expense in excess of payments is recorded as deferred rent in the accompanying statements of financial position. Occupancy expense under the leases for the years ended June 30, 2019 and 2018 amounted to \$2,843,725 and \$2,174,763.

Challenge Preparatory Charter School

Notes to Financial Statements
June 30, 2019 and 2018

10. Line of Credit

On December 6, 2010, the School established a \$50,000 line of credit with a local financial institution. The line of credit is payable on demand and bears interest at prime rate plus 2.75%. The line of credit is secured by substantially all assets of the School. There was no outstanding balance as of June 30, 2019 and 2018.

11. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

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*

Independent Auditors' Report

**Board of Trustees
Challenge Preparatory Charter School**

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 Challenge Preparatory Charter School (the "School"), which comprise the statement of financial position as of June 30, 2019, 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 4, 2019.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a significant deficiency.

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 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*.

The School's Response to the Findings

The School's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

PKF O'Connor Davies, LLP

Harrison, New York
October 4, 2019

Challenge Preparatory Charter School

Schedule of Findings and Responses
Year Ended June 30, 2019

Section I - Financial Statement Findings

2019-001- General Ledger Maintenance and Account Analysis

Criteria

An effective financial closing process provides the School with accurate financial statements.

Condition

During the preparation of the year-end financial statements, we noted that improvements are needed in the financial statement closing process to address the accuracy of the School's year-end financial reporting. Material audit adjustments were required for prepaid rent, deferred rent liability, and accrued expenses.

Cause

There was no review of the schedules, reconciliations, and the general ledger by anyone other than the person who maintains the books and records on a daily basis.

Effect

Audit adjustments were made to the School's financial statements that could have affected reporting during the fiscal year.

Recommendation

We recommend that the School assess the adequacy of resources in the finance department. The School may consider an increased level of financial analysis of significant accounts on a regular basis, as well as providing additional support to the Director of Finance in the area of financial reporting.

Views of Responsible Officials

See management corrective action plan in Exhibit A.



Rev. Dr. Les Mullings, Founder/CEO

October 4, 2019

Exhibit A: Management Corrective Action Plan

2019-001 – General Ledger Maintenance and Account Analysis
[management response]

Management's views:

Challenge Preparatory Charter School has gone through a transition period during FY19 with the hiring of the Director of Finance role in late 2018. Per the recommendation of our auditors, we have assessed the needs of the Finance Department over the course of the year. Challenge Preparatory Charter School has and continues to work with CSBM in a partnership that ensures our financial records are accurate and streamlined. We agreed upon an additional level of analysis with CSBM at a Controller level position to provide additional support to the Director of Finance in the area of financial reporting, as well as hiring a staff accountant to join the Finance Department this new fiscal year.

Challenge Preparatory Charter School

Auditors' Communication on Internal Control

June 30, 2019

Board of Trustees
Challenge Preparatory Charter School

In planning and performing our audit of the financial statements of Challenge Preparatory Charter School (the "School") as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, 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 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 to those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We consider the deficiency in the School's internal control presented in Addendum A to this letter to be a significant deficiency.

This communication is intended solely for the information and use of the management, audit committee, Board of Trustees, The Department of Education of the City of New York, The State Education Department of the State University of New York, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by the personnel of the School during the course of our audit.

PKF O'Connor Davies, LLP

Harrison, New York
October 4, 2019

Challenge Preparatory Charter School

Addendum A

Deficiency in Internal Control that We Consider to be a Significant Deficiency

1. General Ledger Maintenance and Account Analysis

During the preparation of the year-end financial statements, we noted that improvements are needed in the financial statement closing process to address the accuracy of the School's year-end financial reporting. Material audit adjustments were required for prepaid rent, deferred rent liability, and accrued expenses.

We recommend that the School assess the adequacy of resources in the finance department. The School may consider an increased level of financial analysis of significant accounts on a regular basis, as well as providing additional support to the Director of Finance in the area of financial reporting.

* * * * *



Attachment #8

Challenge Prep Charter School

BALANCE SHEET

As of September 30, 2019

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
1000 Cash	3,334,277.13
Total Bank Accounts	\$3,334,277.13
Accounts Receivable	
1100 Accounts Receivable	287,016.08
Total Accounts Receivable	\$287,016.08
Other Current Assets	
1300 Prepaid Expenses	9,312.61
1301 Prepaid Insurance	75,694.99
1310 Prepaid Rent	184,774.83
Total Other Current Assets	\$269,782.43
Total Current Assets	\$3,891,075.64
Fixed Assets	
1500 Furniture, Fixtures & Equipment	982,250.93
1519 Facility and Construction	1,348,286.30
1610 Website	11,000.00
1700 Accumulated Depreciation & Amortization	-980,109.09
Total Fixed Assets	\$1,361,428.14
Other Assets	
1800 Security Deposits	332,575.50
Total Other Assets	\$332,575.50
TOTAL ASSETS	\$5,585,079.28
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 Accounts Payable	-225,611.31
Total Accounts Payable	\$ -225,611.31
Other Current Liabilities	
2300 Accrued Salaries/Taxes	0.01
2301 Accrued Expenses	88,460.69
2400 Unearned/Deferred Revenue	1,282,021.23
Total Other Current Liabilities	\$1,370,481.93
Total Current Liabilities	\$1,144,870.62
Long-Term Liabilities	
2700 Deferred Rent Liability	2,248,718.08
Total Long-Term Liabilities	\$2,248,718.08
Total Liabilities	\$3,393,588.70
Equity	
3100 Retained Earnings	806,544.95

	TOTAL
Net Income	1,384,945.63
Total Equity	\$2,191,490.58
TOTAL LIABILITIES AND EQUITY	\$5,585,079.28

Challenge Prep Charter School

PROFIT AND LOSS

July - September, 2019

	TOTAL
Income	
4100 State Grants	3,810,721.45
4200 Federal Grants	37,197.00
4300 Contributions	4,183.25
4400 Miscellaneous Income	28,225.32
Total Income	\$3,880,327.02
GROSS PROFIT	\$3,880,327.02
Expenses	
5000 Compensation	1,017,931.11
5400 Benefits	277,781.88
6100 Administrative Expenses	101,091.94
6200 Professional Services	169,286.59
6300 Professional Development	55,538.82
6400 Marketing and Staff/Student Rec	17,206.24
7100 Curriculum & Classroom Expenses	178,659.84
8100 Facility	627,542.67
8200 Technology/Communication Expens	50,334.80
8800 Miscellaneous Expenses	7.50
Total Expenses	\$2,495,381.39
NET OPERATING INCOME	\$1,384,945.63
NET INCOME	\$1,384,945.63

Challenge Prep Charter School

STATEMENT OF CASH FLOWS

July - September, 2019

	TOTAL
<hr/>	
OPERATING ACTIVITIES	
Net Income	1,384,945.63
Adjustments to reconcile Net Income to Net Cash provided by operations:	
1100 Accounts Receivable	270,702.00
1200 Accounts Receivable:Other Receivables - Salary Advance	-7,666.57
1300 Prepaid Expenses	2,817.34
1301 Prepaid Insurance	-75,694.99
1310 Prepaid Rent	-2,519.65
Inventory Asset	0.00
2000 Accounts Payable	-318,499.37
2300 Accrued Salaries/Taxes	-986,463.93
2301 Accrued Expenses	-90,750.99
2400 Unearned/Deferred Revenue	1,280,972.80
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	72,896.64
Net cash provided by operating activities	\$1,457,842.27
INVESTING ACTIVITIES	
1511 Furniture, Fixtures & Equipment:Classroom Computers & Equipment	-89,641.89
1512 Furniture, Fixtures & Equipment:Classroom Furniture	-3,553.43
1515 Furniture, Fixtures & Equipment:Computer Software	-5,000.00
1540 Facility and Construction:Leasehold Improvements	-428,632.82
1800 Security Deposits	1,000.00
Net cash provided by investing activities	\$ -525,828.14
FINANCING ACTIVITIES	
3000 Opening Balance Equity	0.00
Net cash provided by financing activities	\$0.00
NET CASH INCREASE FOR PERIOD	\$932,014.13
Cash at beginning of period	2,402,263.00
CASH AT END OF PERIOD	\$3,334,277.13
<hr/>	