

**COMMUNITY PARTNERSHIP CHARTER SCHOOL
EDUCATION CORPORATION**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018

**COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
YEARS ENDED JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Community Partnership Charter School Education Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Community Partnership Charter School Education Corporation ("CPCSEC") (a nonprofit organization), 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.

Auditor's 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 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 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 Community Partnership Charter School Education Corporation as of June 30, 2019 and 2018, and the change 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in the statements of activities and functional expenses by charter for the years ended June 30, 2019 and 2018, on pages 19 - 26, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019, on our consideration of CPCSEC'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 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 CPCSEC's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Melville, New York
October 30, 2019

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
Cash and cash equivalents	\$ 694,146	\$ 560,524
Investments, at fair value	3,367,892	3,312,899
Grants receivable	309,665	485,581
Accounts, interest and other receivables	16,810	287,642
Prepaid expenses	12,403	-
Deferred rental costs, net	150,639	225,958
Property and equipment, net	55,855	81,607
Other non-current assets - dissolution funds	150,000	150,000
TOTAL ASSETS	\$ 4,757,410	\$ 5,104,211
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,122,075	\$ 1,075,146
Due to NYC Department of Education	58,300	7,654
Due to Beginning with Children Foundation	568,225	415,964
Total liabilities	1,748,600	1,498,764
Commitments and contingencies (Notes 4, 6 and 8)		
Net assets without donor restrictions:		
Board-designated for facility and personnel costs	1,200,000	1,200,000
Undesignated	1,808,810	2,405,447
Total net assets without donor restrictions	3,008,810	3,605,447
TOTAL LIABILITIES AND NET ASSETS	\$ 4,757,410	\$ 5,104,211

See accompanying notes to financial statements.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Operating revenue:		
State and local per pupil operating revenue	\$ 14,293,950	\$ 12,383,243
Government grants	679,242	759,807
Federal IDEA revenue	100,631	76,907
Total operating revenue	15,073,823	13,219,957
Operating expenses:		
Program services:		
Regular education	10,912,864	10,476,839
Special education	4,405,673	2,989,698
Total program services	15,318,537	13,466,537
Supporting services:		
Management and general	1,261,005	1,141,656
Fundraising	154,425	138,829
Total supporting services	1,415,430	1,280,485
Total operating expenses	16,733,967	14,747,022
Deficit from government-funded school operations	(1,660,144)	(1,527,065)
Other revenue:		
Contributions and grants - private	28,485	13,041
Investment earnings	125,022	21,665
Donated space	910,000	847,600
Total other revenue	1,063,507	882,306
Change in net assets without donor restrictions	(596,637)	(644,759)
Net assets without donor restrictions - beginning	3,605,447	4,250,206
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	\$ 3,008,810	\$ 3,605,447

See accompanying notes to financial statements.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services			
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Personnel services:							
Administrative staff personnel	\$ 767,694	\$ 187,017	\$ 954,711	\$ 653,111	\$ -	\$ 653,111	\$ 1,607,822
Instructional personnel	4,870,479	3,040,780	7,911,259	-	-	-	7,911,259
Non-instructional personnel	<u>163,991</u>	<u>37,672</u>	<u>201,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,663</u>
Total personnel services	5,802,164	3,265,469	9,067,633	653,111	-	653,111	9,720,744
Fringe benefits and payroll taxes	1,623,053	335,860	1,958,913	132,611	-	132,611	2,091,524
Retirement	125,530	17,187	142,717	-	-	-	142,717
Central service fees	889,747	191,225	1,080,972	308,849	154,425	463,274	1,544,246
Legal service	-	-	-	25,916	-	25,916	25,916
Accounting and audit services	-	-	-	56,368	-	56,368	56,368
Consulting services	308,233	114,098	422,331	13,265	-	13,265	435,596
Rent and leasing costs	808,258	177,062	985,320	-	-	-	985,320
Repairs and maintenance	136,072	30,932	167,004	171	-	171	167,175
Insurance	69,332	15,892	85,224	28,563	-	28,563	113,787
Utilities	64,092	14,041	78,133	420	-	420	78,553
Supplies and materials	333,560	76,483	410,043	-	-	-	410,043
Equipment and furnishings	37,147	9,422	46,569	-	-	-	46,569
Staff development	113,893	25,320	139,213	-	-	-	139,213
Marketing and recruitment	100,611	22,947	123,558	-	-	-	123,558
Technology	114,713	25,219	139,932	2,915	-	2,915	142,847
Student services	328,962	70,622	399,584	-	-	-	399,584
Office expense	23,969	4,162	28,131	38,816	-	38,816	66,947
Depreciation	30,007	7,010	37,017	-	-	-	37,017
Other expense	<u>3,521</u>	<u>2,722</u>	<u>6,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,243</u>
TOTAL	<u>\$ 10,912,864</u>	<u>\$ 4,405,673</u>	<u>\$ 15,318,537</u>	<u>\$ 1,261,005</u>	<u>\$ 154,425</u>	<u>\$ 1,415,430</u>	<u>\$ 16,733,967</u>

See accompanying notes to financial statements.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services			Supporting Services			Total
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel services:							
Administrative staff personnel	\$ 513,766	\$ 108,659	\$ 622,425	\$ 580,351	\$ -	\$ 580,351	\$ 1,202,776
Instructional personnel	5,281,732	1,958,791	7,240,523	-	-	-	7,240,523
Non-instructional personnel	92,438	19,971	112,409	-	-	-	112,409
Total personnel services	5,887,936	2,087,421	7,975,357	580,351	-	580,351	8,555,708
Fringe benefits and payroll taxes	1,459,477	321,191	1,780,668	90,121	-	90,121	1,870,789
Retirement	89,420	17,583	107,003	3,299	-	3,299	110,302
Central service fees	789,344	182,460	971,804	277,658	138,829	416,487	1,388,291
Legal service	630	-	630	7,032	-	7,032	7,662
Accounting and audit services	-	-	-	65,825	-	65,825	65,825
Consulting services	315,757	68,232	383,989	15,966	-	15,966	399,955
Rent and leasing costs	832,935	89,985	922,920	-	-	-	922,920
Repairs and maintenance	123,267	14,263	137,530	-	-	-	137,530
Insurance	61,842	12,543	74,385	27,225	-	27,225	101,610
Utilities	59,852	6,466	66,318	-	-	-	66,318
Supplies and materials	257,356	57,667	315,023	3,826	-	3,826	318,849
Equipment and furnishings	38,555	7,965	46,520	-	-	-	46,520
Staff development	132,647	28,565	161,212	-	-	-	161,212
Marketing and recruitment	87,015	18,908	105,923	-	-	-	105,923
Technology	42,032	8,932	50,964	3,795	-	3,795	54,759
Student services	240,522	56,985	297,507	-	-	-	297,507
Office expense	23,056	2,893	25,949	54,102	-	54,102	80,051
Depreciation	35,196	7,639	42,835	3,452	-	3,452	46,287
Other expense	-	-	-	9,004	-	9,004	9,004
TOTAL	\$10,476,839	\$ 2,989,698	\$13,466,537	\$ 1,141,656	\$ 138,829	\$ 1,280,485	\$14,747,022

See accompanying notes to financial statements.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (596,637)	\$ (644,759)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized loss (gain) on investments	(54,991)	31,516
Amortization - rent reimbursement	75,320	75,320
Depreciation and amortization	112,335	46,287
Bad debt expense	5,540	4,467
Changes in assets and liabilities:		
Grants receivable	170,376	(176,335)
Accounts and interest receivable	270,832	62,489
Prepaid expenses	(12,403)	11,906
Accounts payable and accrued expenses	46,929	139,656
Due to Beginning with Children Foundation	76,941	118,283
Due to (from) NYC Department of Education	<u>50,646</u>	<u>(24,025)</u>
Net cash provided by (used in) operating activities	<u>144,888</u>	<u>(355,195)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(11,266)	(12,604)
Proceeds from sale of investments	225,000	1,325,000
Purchase of investments	<u>(225,000)</u>	<u>(1,550,000)</u>
Net cash used in investing activities	<u>(11,266)</u>	<u>(237,604)</u>
Net increase (decrease) in cash and cash equivalents	133,622	(592,799)
Cash and cash equivalents - beginning	<u>560,524</u>	<u>1,153,323</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 694,146</u>	<u>\$ 560,524</u>

See accompanying notes to financial statements.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Principal Business Activity

Community Partnership Charter School Education Corporation is an education corporation that operates two charter schools in the borough of Brooklyn, New York.

Effective October 1, 2014, Beginning with Children Charter School 2 ("BwCCS2") merged into Community Partnership Charter School ("CPCS"), the surviving entity. Concurrent with the merger, CPCS changed its name to Community Partnership Charter School Education Corporation ("CPCSEC").

On July 1, 2014, the Board of Regents of the University of the State of New York ("SUNY") granted a fourth provisional charter to CPCS for the merger of BwCCS2 and CPCS to form CPCSEC, expiring on July 31, 2017.

On March 8, 2017 the Board of Regents of SUNY renewed the CPCSEC charter for a period of five years, expiring July 31, 2022.

CPCSEC'S mission is to provide personalized education for each student, addressing weaknesses and reinforcing strengths through individualized instruction, dynamic curriculum, ongoing assessment and parental/community engagement. CPCSEC puts the needs of the whole student first, transcending the academic rigor of the classroom and nurturing the development of children from their formative years through college.

The New York City Department of Education ("NYCDOE") provides free and reduced-price lunches and transportation directly to a majority of CPCSEC's students.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statements presentation

The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires CPCSEC to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Board-designated net assets were established by CPCSEC's board of trustees to provide for unforeseen facility, personnel and other issues.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed restrictions. CPCSEC reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. There were no net assets with donor restrictions for the years ended June 30, 2019 and 2018.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of 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 dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassification adjustments had no effect on CPCSEC's previously reported change in net assets.

Cash and Cash Equivalents

CPCSEC maintains cash in deposit accounts which, at times, may exceed federally insured limits. CPCSEC has not experienced any losses in these accounts. CPCSEC considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash reflects \$150,000 in funds maintained in separate accounts as required by the Charter School Institute, to have funds available to ensure an orderly liquidation, dissolution or transition process if CPCSEC's charter were to be terminated or CPCSEC was closed for other reasons. The restricted cash is held in "Other non-current assets - dissolution funds" on the accompany statements of financial position.

Contributions

The financial statements of CPCSEC reflect contributions received from the public and other organizations. Contributions are recognized in the accompanying statements of activities as revenue in the period in which they are received or unconditionally promised. CPCSEC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified as net assets without donor restrictions and reported in the statements of activities as "Net assets released from restrictions." Amounts received with donor stipulations that limit their use to certain purposes are reported as contributions without donor restrictions if the stipulated purpose restriction is accomplished in the same year.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Per-Pupil Revenue, Grants and Refundable Advances

Revenue from the state and local governments resulting from CPCSEC's charter status, which is based on the number of students enrolled, is recorded when services are performed in accordance with the charter agreement. Amounts received prior to services being rendered on behalf of students are recognized as amounts due to NYCDOE. Revenue from federal, state and local government cost reimbursement grants and contracts is recognized as revenue when qualifying expenditures are incurred. Amounts received in excess of expenditures incurred are recognized as refundable advances.

Grants, Accounts and Other Receivables

Grants, accounts and other receivables are stated at the amount management expects to collect. Management evaluates such receivables and establishes an allowance for doubtful accounts based on a history of write-offs and collections and current credit conditions. At June 30, 2019 and 2018, management determined that no allowance was required.

Contributed Services and Space

Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets, would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such skills.

A number of volunteers have made a contribution of their time to CPCSEC to develop academic and other programs and to serve on the board of trustees. The value of this contributed time is not reflected in the accompanying financial statements in as much as those services would not typically be purchased had they not been provided by donation.

CPCSEC was the recipient of donated space which was used for the BwCCS2 middle school campus. For the years ended June 30, 2019 and 2018, the value of the donated space amounted to \$910,000 and \$847,600 respectively, and is included in "Donated space" in the accompanying statements of activities, and "Rent and leasing costs" in the accompanying statements of functional expenses.

Investments

CPCSEC records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. "Investment earnings, net" is reported in the statements of activities and consists of interest and dividend income unrealized and realized gain/loss, less external and direct internal investment expenses. No investment expenses were incurred during the years ended June 30, 2019 and 2018. See Note 10 for discussion of fair value measurements.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

CPCSEC capitalizes all purchases of property and equipment in excess of \$2,500 and with a useful life of greater than one year. Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Functional Allocation of Expenses

The cost of providing the programs and other activities has been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administrative expenses include those expenses that are not directly identifiable with a specific program and provide for the overall support and direction of CPCSEC.

Expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Directly charged
Payroll taxes, fringe benefits	Weighted average/head count
Professional fees and consulting services	Directly charged
Administrative and office related expenses	Directly charged
Office rent, utilities, equipment, repairs and maintenance	Weighted average/head count

Income Taxes

CPCSEC is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes.

CPCSEC recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*. Under that guidance, CPCSEC assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances, and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

Management has evaluated CPCSEC's tax positions and has concluded that CPCSEC has taken no uncertain tax positions that require adjustment to the financial statements.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. CPCSEC has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recently Issued but not yet Effective Accounting Standards

Contributions

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which provides guidance for determining whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional or unconditional. ASU 2018-08 is effective for years beginning after December 15, 2018. CPCSEC is evaluating the effect that ASU 2018-08 will have on its financial statements and related disclosures.

Revenue recognition

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which CPCSEC expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue guidance in U.S. GAAP, including industry-specific guidance, when it becomes effective. This new guidance is effective for CPCSEC beginning July 1, 2020. CPCSEC is currently completing its initial assessment and evaluation of the impact that ASU 2014-09 will have on its financial statements and related disclosures. CPCSEC expects at a minimum, the adoption will result in expanded disclosures that will enable users to better understand the nature, amount, timing, and uncertainty, if any, of revenues and cash flows arising from contracts.

Leases

In February 2016, FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). This update requires all leases with a term greater than 12 months to be recognized on the statement of financial position through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for years beginning after June 30, 2020, with early adoption permitted. The effect of adopting ASU 2016-02 on CPCSEC's financial statements and related disclosures has not yet been determined.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued but not yet Effective Accounting Standards (Continued)

Statement of cash flows

In November 2016, FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230)* ("ASU 2016-15"). ASU 2016-15 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents to reconcile the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 will be effective for CPCSEC beginning after June 30, 2019, with early adoption permitted. The effect of adopting ASU 2016-18 on CPCSEC's financial statements and related disclosures has not yet been determined.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CPCSEC has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

CPCSEC assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in the circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no transfers among levels during the years 2019 or 2018.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, CPCSEC has evaluated subsequent events through October 30, 2019, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 3. LIQUIDITY AND AVAILABILITY

CPCSEC strives to maintain liquid financial assets sufficient to cover general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit.

Assets unavailable for general expenditures within one year limited to use include a board-designated fund for facility and personnel costs. In the event the need arises to utilize the board-designated funds, the reserves could be drawn upon through board resolution.

The following table reflects CPCSEC's financial assets as of June 30, 2019, reduced by amounts not available for use for general expenditures within one year.

Financial assets as of June 30, 2019:	
Cash and cash equivalents	\$ 844,146
Investments	3,367,892
Grants receivable	309,665
Accounts, interest and other receivables	<u>16,810</u>
Total financial assets as of June 30, 2019	4,538,513
Less: assets unavailable for general expenditures within one year:	
Board-designated for facility and personnel costs	1,200,000
Restricted cash - dissolution funds	<u>150,000</u>
Total financial assets as of June 30,	<u><u>\$ 3,188,513</u></u>

NOTE 4. RELATED-PARTY TRANSACTIONS

The Beginning with Children Foundation (the "Foundation") is a not-for-profit organization dedicated to improving the educational opportunities of underserved children. The Foundation is a co-founder of CPCSEC.

Central Service Fees

As an educational manager to charter schools for the years ended June 30, 2019 and 2018, the Foundation entered into a Memorandum of Understanding ("MOU") agreement with CPCSEC. Pursuant to the terms of the MOU, CPCSEC agreed to pay service fees to the Foundation in the amount of \$1,544,246 and \$1,388,291 for the years ended June 30, 2019 and 2018, respectively. The Foundation supported CPCSEC in the areas of leadership and strategy, curriculum and assessment, research and evaluation, teacher development and recruitment, parent and family engagement, business services, compliance, development, technology, communications, board development and

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4. RELATED-PARTY TRANSACTIONS (CONTINUED)

Central Service Fees (Continued)

evaluation of effectiveness.

At June 30, 2019 and 2018, \$568,225 and \$415,964, respectively, were due to the Foundation. These amounts were comprised of the remaining cost advances and net of pass-thru contributions made directly to the Foundation for CPCSEC.

Deferred Rental Costs

During the year ended June 30, 2019, the Foundation incurred certain costs on behalf of CPCSEC in connection with the renovations and other site preparations made to the BwCCS2 Middle School. On June 1, 2017, CPCSEC entered into a reimbursement agreement (the "Agreement") to repay expenses totaling \$376,598 (the "Cost Advance") to the Foundation. The Cost Advance will be paid back through five annual, non-interest bearing payments coinciding with the term of the lease (see Note 6).

Cost advance		\$	376,598
Less: cumulative payments made through June 30, 2019			<u>225,959</u>
Remaining cost advance as of June 30, 2019		\$	<u>150,639</u>

The remaining balance of \$150,639 has been included in "Deferred rental costs, net" and "Due to Beginning with Children Foundation" in the accompanying statements of financial position. Additionally, the annual repayment of \$75,320 is amortized and included in "Rent and leasing costs" in the accompanying statements of functional expenses.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>	<u>Estimated Useful Life</u>
Computer equipment	\$ 375,051	\$ 363,787	3 years
Furniture and fixtures	182,238	182,238	7 years
Leasehold improvements	<u>36,451</u>	<u>36,451</u>	5 years
	593,740	582,476	
Less: accumulated depreciation	<u>537,885</u>	<u>500,869</u>	
Property and equipment, net	<u>\$ 55,855</u>	<u>\$ 81,607</u>	

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 6. SCHOOL FACILITIES

Donated Space

CPCSEC occupies space in three public schools owned by the NYCDOE located in Brooklyn, New York, which have been made available to CPCSEC at no charge.

School Facility Lease

CPCSEC is obligated under a five-year lease agreement with the Foundation, a related party, commencing July 1, 2016 and expiring June 30, 2021. The lease was for the use of school facility space for the BwCCS2 Middle School. The lease agreement contains provisions for future rent increases. In accordance with U.S. GAAP, CPCSEC records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term (straight-line basis).

Minimum annual rent amounts required under the lease at June 30, 2019, are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2020	\$ 1,014,000
2021	<u>1,014,000</u>
Total	<u>\$ 2,028,000</u>

In conjunction with the school facility lease, the Foundation provided donated space amounting to \$910,000 and \$847,600 for the years ended June 30, 2019 and 2018.

Rental Assistance

During the years ending June 30, 2019 and 2018, CPCSEC received \$462,300 and \$203,711, respectively, of rental assistance reimbursement from the NYCDOE. These amounts will be paid to CPCSEC and will be due to the Foundation as rental income.

NOTE 7. EMPLOYEE BENEFIT PLAN

CPCSEC maintains a defined contribution plan under Section 401(k) of the Internal Revenue Code covering all eligible employees. Under the plan, CPCSEC provides matching contributions. In addition, CPCSEC may elect, on a discretionary basis, to contribute a percentage of all qualified employees' compensation to the profit-sharing component of the plan. The amount charged to operations for contributions to the defined contribution plan was \$142,716 and \$110,302 for the years ended June 30, 2019 and 2018, respectively.

NOTE 8. CONTINGENCIES

Grants and Contracts

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in the disallowance of costs submitted for reimbursement. Management is of the opinion that such cost disallowance, 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.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8. CONTINGENCIES (CONTINUED)

Litigation

CPCSEC is, from time to time, subject to ordinary and routine litigation. Management presently believes that the ultimate outcome of these proceedings, individually or in the aggregate, will not have a material adverse effect on CPCSEC's financial condition, results of operations or cash flows. Nevertheless, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include money damages and, in such event, could result in a material adverse impact on CPCSEC's financial condition, results of operations or cash flows for the period in which the ruling occurs.

NOTE 9. CONCENTRATIONS

Grants Receivable

As of June 30, 2019 and 2018, New York State accounted for 84% and 77% of CPCSEC's grants receivable balance, respectively.

Accounts, Interest and Other Receivable

For the years ended June 30, 2019 and 2018, New York State accounted for 54% and 100% of CPCSEC's accounts receivable, interest and other receivable balance, respectively.

Revenue

State and local per pupil operating revenue from the New York State Education Department accounted for 94% and 93% of total operating and other revenue for the years ended June 30, 2019 and 2018, respectively.

Investments

One financial institution held 100% of CPCSEC's investments at both June 30, 2019 and 2018. These certificates of deposit are insured by the Securities Investor Protection Corporation.

NOTE 10. FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the tables below. The valuation techniques are as follows:

- (a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 10. FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables summarize CPCSEC's assets measured at fair value on a recurring basis, categorized by U.S. GAAP's valuation hierarchy as of June 30, 2019 and 2018.

<u>Description</u>	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at June 30, 2019	Valuation Technique
Certificates of deposit (included in investments)	\$ -	\$ 3,367,892	\$ -	\$ 3,367,892	(a)

<u>Description</u>	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at June 30, 2018	Valuation Technique
Certificates of deposit (included in investments)	\$ -	\$ 3,312,899	\$ -	\$ 3,312,899	(a)

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2019 and 2018:

The certificates of deposit are stated at quoted market prices.

SUPPLEMENTARY INFORMATION

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
STATEMENT OF ACTIVITIES BY CHARTER
FOR THE YEAR ENDED JUNE 30, 2019

	Beginning with Children Charter School 2	Community Partnership Charter School Pre-Kindergarten	Community Partnership Charter School	Total
Operating revenue:				
State and local per pupil operating revenue	\$ 7,176,722	\$ 181,174	\$ 6,936,054	\$ 14,293,950
Government grants	172,267	-	506,975	679,242
Federal IDEA revenue	<u>45,235</u>	<u>-</u>	<u>55,396</u>	<u>100,631</u>
Total operating revenue	<u>7,394,224</u>	<u>181,174</u>	<u>7,498,425</u>	<u>15,073,823</u>
Operating expenses:				
Program services:				
Regular education	5,282,612	203,420	5,426,832	10,912,864
Special education	<u>2,424,468</u>	<u>-</u>	<u>1,981,205</u>	<u>4,405,673</u>
Total program services	<u>7,707,080</u>	<u>203,420</u>	<u>7,408,037</u>	<u>15,318,537</u>
Supporting services:				
Management and general	566,350	3,737	690,918	1,261,005
Fundraising	<u>69,456</u>	<u>-</u>	<u>84,969</u>	<u>154,425</u>
Total supporting services	<u>635,806</u>	<u>3,737</u>	<u>775,887</u>	<u>1,415,430</u>
Total operating expenses	<u>8,342,886</u>	<u>207,157</u>	<u>8,183,924</u>	<u>16,733,967</u>
Deficit from government-funded school operations	<u>(948,662)</u>	<u>(25,983)</u>	<u>(685,499)</u>	<u>(1,660,144)</u>
Other revenue:				
Contributions and grants - private	15,990		12,495	28,485
Investment earnings, net	62,034	-	62,988	125,022
Donated space	<u>910,000</u>	<u>-</u>	<u>-</u>	<u>910,000</u>
Total other revenue	<u>988,024</u>	<u>-</u>	<u>75,483</u>	<u>1,063,507</u>
Change in net assets without donor restrictions	39,362	(25,983)	(610,016)	(596,637)
Net assets without donor restrictions - beginning	<u>453,656</u>	<u>(28,265)</u>	<u>3,180,056</u>	<u>3,605,447</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	<u><u>\$ 493,018</u></u>	<u><u>\$ (54,248)</u></u>	<u><u>\$ 2,570,040</u></u>	<u><u>\$ 3,008,810</u></u>

See independent auditor's report.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
STATEMENT OF ACTIVITIES BY CHARTER
FOR THE YEAR ENDED JUNE 30, 2018

	Beginning with Children Charter School 2	Community Partnership Charter School Pre-Kindergarten	Community Partnership Charter School	Total
Operating revenue:				
State and local per pupil operating revenue	\$ 5,836,061	\$ 191,830	\$ 6,355,352	\$ 12,383,243
Government grants	187,077	-	572,730	759,807
Federal IDEA revenue	<u>30,315</u>	<u>-</u>	<u>46,592</u>	<u>76,907</u>
Total operating revenue	<u>6,053,453</u>	<u>191,830</u>	<u>6,974,674</u>	<u>13,219,957</u>
Operating expenses:				
Program services:				
Regular education	5,375,724	186,388	4,914,727	10,476,839
Special education	<u>1,220,787</u>	<u>-</u>	<u>1,768,911</u>	<u>2,989,698</u>
Total program services	<u>6,596,511</u>	<u>186,388</u>	<u>6,683,638</u>	<u>13,466,537</u>
Supporting services:				
Management and general	509,025	7,475	625,156	1,141,656
Fundraising	<u>71,826</u>	<u>-</u>	<u>67,003</u>	<u>138,829</u>
Total supporting services	<u>580,851</u>	<u>7,475</u>	<u>692,159</u>	<u>1,280,485</u>
Total operating expenses	<u>7,177,362</u>	<u>193,863</u>	<u>7,375,797</u>	<u>14,747,022</u>
Deficit from government-funded school operations	<u>(1,123,909)</u>	<u>(2,033)</u>	<u>(401,123)</u>	<u>(1,527,065)</u>
Other revenue:				
Contributions and grants - private	10,754		2,287	13,041
Investment earnings, net	9,467	-	12,198	21,665
Donated space	<u>847,600</u>	<u>-</u>	<u>-</u>	<u>847,600</u>
Total other revenue	<u>867,821</u>	<u>-</u>	<u>14,485</u>	<u>882,306</u>
Change in net assets without donor restrictions	(256,088)	(2,033)	(386,638)	(644,759)
Net assets without donor restrictions - beginning	<u>709,743</u>	<u>(26,232)</u>	<u>3,566,695</u>	<u>4,250,206</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	<u>\$ 453,655</u>	<u>\$ (28,265)</u>	<u>\$ 3,180,057</u>	<u>\$ 3,605,447</u>

See independent auditor's report.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER
COMMUNITY PARTNERSHIP CHARTER SCHOOL PRE-KINDERGARTEN
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services			Total
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel services:							
Administrative staff personnel	\$ 9,000	\$ -	\$ 9,000	\$ 2,884	\$ -	\$ 2,884	\$ 11,884
Instructional personnel	<u>141,309</u>	<u>-</u>	<u>141,309</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,309</u>
Total personnel services	150,309	-	150,309	2,884	-	2,884	153,193
Fringe benefits and payroll taxes	32,345	-	32,345	433	-	433	32,778
Retirement	4,628	-	4,628	-	-	-	4,628
Consulting services	3,705	-	3,705	-	-	-	3,705
Utilities	-	-	-	420	-	420	420
Supplies and materials	5,667	-	5,667	-	-	-	5,667
Student services	1,700	-	1,700	-	-	-	1,700
Other expense	<u>5,066</u>	<u>-</u>	<u>5,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,066</u>
TOTAL	<u>\$ 203,420</u>	<u>\$ -</u>	<u>\$ 203,420</u>	<u>\$ 3,737</u>	<u>\$ -</u>	<u>\$ 3,737</u>	<u>\$ 207,157</u>

See independent auditor's report.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER
BEGINNING WITH CHILDREN CHARTER SCHOOL 2
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services			Total
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel services:							
Administrative staff personnel	\$ 368,333	\$ 80,368	\$ 448,701	\$ 262,927	\$ -	\$ 262,927	\$ 711,628
Instructional personnel	2,044,892	1,715,471	3,760,363	-	-	-	3,760,363
Non-instructional personnel	<u>93,790</u>	<u>20,434</u>	<u>114,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,224</u>
Total personnel services	2,507,015	1,816,273	4,323,288	262,927	-	262,927	4,586,215
Fringe benefits and payroll taxes	655,394	120,331	775,725	82,102	-	82,102	857,827
Retirement	54,880	11,974	66,854	-	-	-	66,854
Central service fees	399,276	86,913	486,189	138,911	69,456	208,367	694,556
Legal service	-	-	-	4,332	-	4,332	4,332
Accounting and audit services	-	-	-	28,184	-	28,184	28,184
Consulting services	75,128	37,025	112,153	6,520	-	6,520	118,673
Rent and leasing costs	808,258	177,062	985,320	-	-	-	985,320
Repairs and maintenance	113,923	24,952	138,875	171	-	171	139,046
Insurance	34,980	7,632	42,612	14,282	-	14,282	56,894
Utilities	64,092	14,041	78,133	-	-	-	78,133
Supplies and materials	168,889	38,869	207,758	-	-	-	207,758
Equipment and furnishings	16,127	3,517	19,644	-	-	-	19,644
Staff development	51,092	11,129	62,221	-	-	-	62,221
Marketing and recruitment	56,093	12,208	68,301	-	-	-	68,301
Technology	79,199	17,287	96,486	1,614	-	1,614	98,100
Student services	182,510	39,725	222,235	-	-	-	222,235
Office expense	6,759	1,474	8,233	27,307	-	27,307	35,540
Depreciation	18,593	4,056	22,649	-	-	-	22,649
Other expense	<u>(9,596)</u>	<u>-</u>	<u>(9,596)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,596)</u>
TOTAL	<u>\$ 5,282,612</u>	<u>\$ 2,424,468</u>	<u>\$ 7,707,080</u>	<u>\$ 566,350</u>	<u>\$ 69,456</u>	<u>\$ 635,806</u>	<u>\$ 8,342,886</u>

See independent auditor's report.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER
COMMUNITY PARTNERSHIP CHARTER SCHOOL
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services			
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Personnel services:							
Administrative staff personnel	\$ 390,361	\$ 106,649	\$ 497,010	\$ 387,300	\$ -	\$ 387,300	\$ 884,310
Instructional personnel	2,684,278	1,325,309	4,009,587	-	-	-	4,009,587
Non-instructional personnel	<u>70,201</u>	<u>17,238</u>	<u>87,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,439</u>
Total personnel services	3,144,840	1,449,196	4,594,036	387,300	-	387,300	4,981,336
Fringe benefits and payroll taxes	935,314	215,529	1,150,843	50,076	-	50,076	1,200,919
Retirement	66,022	5,213	71,235	-	-	-	71,235
Central service fees	490,471	104,312	594,783	169,938	84,969	254,907	849,690
Legal service	-	-	-	21,584	-	21,584	21,584
Accounting and audit services	-	-	-	28,184	-	28,184	28,184
Consulting services	229,400	77,073	306,473	6,745	-	6,745	313,218
Repairs and maintenance	22,149	5,980	28,129	-	-	-	28,129
Insurance	34,352	8,260	42,612	14,281	-	14,281	56,893
Supplies and materials	159,004	37,614	196,618	-	-	-	196,618
Equipment and furnishings	21,020	5,905	26,925	-	-	-	26,925
Staff development	62,801	14,191	76,992	-	-	-	76,992
Marketing and recruitment	44,518	10,739	55,257	-	-	-	55,257
Technology	35,514	7,932	43,446	1,301	-	1,301	44,747
Student services	144,752	30,897	175,649	-	-	-	175,649
Office expense	17,210	2,688	19,898	11,509	-	11,509	31,407
Depreciation	11,414	2,954	14,368	-	-	-	14,368
Other expense	<u>8,051</u>	<u>2,722</u>	<u>10,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,773</u>
TOTAL	<u>\$ 5,426,832</u>	<u>\$ 1,981,205</u>	<u>\$ 7,408,037</u>	<u>\$ 690,918</u>	<u>\$ 84,969</u>	<u>\$ 775,887</u>	<u>\$ 8,183,924</u>

See independent auditor's report.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER
COMMUNITY PARTNERSHIP CHARTER SCHOOL PRE-KINDERGARTEN
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total</u>
	<u>Regular Education</u>	<u>Special Education</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Personnel services:							
Administrative staff personnel	\$ 14,309	\$ -	\$ 14,309	\$ 6,500	\$ -	\$ 6,500	\$ 20,809
Instructional personnel	<u>130,109</u>	<u>-</u>	<u>130,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,109</u>
Total personnel services	144,418	-	144,418	6,500	-	6,500	150,918
Fringe benefits and payroll taxes	36,108	-	36,108	975	-	975	37,083
Retirement	4,426	-	4,426	-	-	-	4,426
Legal service	630	-	630	-	-	-	630
Supplies and materials	656	-	656	-	-	-	656
Office expense	<u>150</u>	<u>-</u>	<u>150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150</u>
TOTAL	<u>\$ 186,388</u>	<u>\$ -</u>	<u>\$ 186,388</u>	<u>\$ 7,475</u>	<u>\$ -</u>	<u>\$ 7,475</u>	<u>\$ 193,863</u>

See independent auditor's report.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER
BEGINNING WITH CHILDREN CHARTER SCHOOL 2
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services			Supporting Services			Total
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel services:							
Administrative staff personnel	\$ 296,190	\$ 60,394	\$ 356,584	\$ 234,679	\$ -	\$ 234,679	\$ 591,263
Instructional personnel	2,450,785	691,690	3,142,475	-	-	-	3,142,475
Non-instructional personnel	<u>56,854</u>	<u>12,201</u>	<u>69,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,055</u>
Total personnel services	2,803,829	764,285	3,568,114	234,679	-	234,679	3,802,793
Fringe benefits and payroll taxes	582,335	134,094	716,429	52,289	-	52,289	768,718
Retirement	41,399	7,784	49,183	3,299	-	3,299	52,482
Central service fees	377,476	91,397	468,873	124,276	71,826	196,102	664,975
Legal service	-	-	-	3,384	-	3,384	3,384
Accounting and audit services	-	-	-	32,911	-	32,911	32,911
Consulting services	81,359	10,100	91,459	6,103	-	6,103	97,562
Rent and leasing costs	832,935	89,985	922,920	-	-	-	922,920
Repairs and maintenance	118,874	13,420	132,294	-	-	-	132,294
Insurance	31,465	5,727	37,192	12,083	-	12,083	49,275
Utilities	59,852	6,466	66,318	-	-	-	66,318
Supplies and materials	160,765	35,948	196,713	3,826	-	3,826	200,539
Equipment and furnishings	17,326	2,963	20,289	-	-	-	20,289
Staff development	53,478	11,431	64,909	-	-	-	64,909
Marketing and recruitment	25,019	5,780	30,799	-	-	-	30,799
Technology	17,417	3,391	20,808	887	-	887	21,695
Student services	130,251	31,099	161,350	-	-	-	161,350
Office expense	21,297	2,506	23,803	28,286	-	28,286	52,089
Depreciation	20,647	4,411	25,058	-	-	-	25,058
Other expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,002</u>	<u>-</u>	<u>7,002</u>	<u>7,002</u>
TOTAL	<u>\$ 5,375,724</u>	<u>\$ 1,220,787</u>	<u>\$ 6,596,511</u>	<u>\$ 509,025</u>	<u>\$ 71,826</u>	<u>\$ 580,851</u>	<u>\$ 7,177,362</u>

See independent auditor's report.

COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER
COMMUNITY PARTNERSHIP CHARTER SCHOOL
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services			Supporting Services			Total
	Regular Education	Special Education	Total Program Services	Management and Genera	Fundraising	Supporting Services	
Personnel services:							
Administrative staff personnel	\$ 203,267	\$ 48,265	\$ 251,532	\$ 339,172	\$ -	\$ 339,172	\$ 590,704
Instructional personnel	2,700,838	1,267,101	3,967,939	-	-	-	3,967,939
Non-instructional personnel	<u>35,584</u>	<u>7,770</u>	<u>43,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,354</u>
Total personnel services	2,939,689	1,323,136	4,262,825	339,172	-	339,172	4,601,997
Fringe benefits and payroll							
taxes	841,034	187,097	1,028,131	36,857	-	36,857	1,064,988
Retirement	43,595	9,799	53,394	-	-	-	53,394
Central service fees	411,868	91,063	502,931	153,382	67,003	220,385	723,316
Legal service	-	-	-	3,648	-	3,648	3,648
Accounting and audit services	-	-	-	32,914	-	32,914	32,914
Consulting services	234,398	58,132	292,530	9,863	-	9,863	302,393
Repairs and maintenance	4,393	843	5,236	-	-	-	5,236
Insurance	30,377	6,816	37,193	15,142	-	15,142	52,335
Supplies and materials	95,935	21,719	117,654	-	-	-	117,654
Equipment and furnishings	21,229	5,002	26,231	-	-	-	26,231
Staff development	79,169	17,134	96,303	-	-	-	96,303
Marketing and recruitment	61,996	13,128	75,124	-	-	-	75,124
Technology	24,615	5,541	30,156	2,908	-	2,908	33,064
Student services	110,271	25,886	136,157	-	-	-	136,157
Office expense	1,609	387	1,996	25,816	-	25,816	27,812
Depreciation	14,549	3,228	17,777	3,452	-	3,452	21,229
Other expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,002</u>	<u>-</u>	<u>2,002</u>	<u>2,002</u>
TOTAL	<u>\$ 4,914,727</u>	<u>\$ 1,768,911</u>	<u>\$ 6,683,638</u>	<u>\$ 625,156</u>	<u>\$ 67,003</u>	<u>\$ 692,159</u>	<u>\$ 7,375,797</u>

See independent auditor's report.



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Accountants and Advisors

**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
Community Partnership Charter School Education Corporation

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 Community Partnership Charter School Education Corporation ("CPCSEC") (a nonprofit organization), 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 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CPCSEC'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 CPCSEC's internal control. Accordingly, we do not express an opinion on the effectiveness of CPCSEC'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.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether CPCSEC'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*.

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 CPCSEC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CPCSEC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Melville, New York
October 30, 2019