

THE BRONX CHARTER SCHOOL FOR CHILDREN
MANAGEMENT LETTER
FOR THE YEAR ENDED JUNE 30, 2020

To The Board of Trustees
The Bronx Charter School for Children
Bronx, New York

In planning and performing our audit of the financial statements of The Bronx Charter School for Children (the "School") at and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered The Bronx Charter School for Children's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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.

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 material weaknesses. 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 wish to make the following comments and recommendations to management.

1. Government Grants Receivable

Observation: During our audit of government grants, we noted that in some cases claims were not submitted timely. We also noted that outstanding receivables had not been reconciled timely. This was due to turnover in the Finance Department.

Effect: The School's cash flow may be negatively impacted due to the lack of timely submission of claims.

Recommendation: We recommend that claims be submitted timely, and that receivables relating to these claims be reviewed in a timely manner.

2. Cash Disbursements/Accounts Payable

Observation: During our test of controls over cash disbursements, we noted the following:

- a. For 5 out of 6 invoices selected related to Curriculum and Classroom purchases, there was no approval on the packing slip.
- b. For 2 out of 40 invoices selected, there was no approval on the invoices.

Effect: The School may not receive supplies that are missing from an order, and unauthorized expenses may be incurred.

Recommendation: We recommend that packing slips be matched to invoices to avoid paying for items not received. All invoices should be approved before being paid to avoid unauthorized purchases.

3. Conflict of Interest Disclosures

Observation: During our audit, management was unable to provide us with a signed conflict of interest form for two of the members of the Board of Trustees.

Potential Effect: Existing conflicts may go undisclosed.

Recommendation: We recommend that the School collect signed conflict of interest disclosure forms on an annual basis prior to the start of the fiscal year. The disclosure form should be signed by all members of the board, as well as executive management. We also recommend that prospective board members sign a conflict of interest disclosure form prior to being admitted to the board.

4. Update to the Accounting Policy and Procedures Manual

Observation: During the past two years, there have been several new accounting standard updates that the School has adopted.

Recommendation: We recommend that the School update its accounting policy and procedures manual to reflect all new accounting standard updates. The School should consistently and regularly update the manual in future years.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within The Bronx Charter School for Children and is not intended to be, and should not be, used by anyone other than these specified parties.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

White Plains, New York
October 30, 2020

THE BRONX CHARTER SCHOOL FOR CHILDREN

FINANCIAL STATEMENTS

JUNE 30, 2020

(WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2019)

THE BRONX CHARTER SCHOOL FOR CHILDREN

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INDEPENDENT AUDITORS' REPORT

To The Board of Trustees
The Bronx Charter School for Children
Bronx, New York

Report on the Financial Statements

We have audited the accompanying financial statements of The Bronx Charter School for Children (the "School"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 The Bronx Charter School for Children as of June 30, 2020, and the changes in its net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

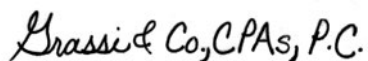
In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020 on our consideration of The Bronx Charter School for Children's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Bronx Charter School for Children'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 Bronx Charter School for Children's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited The Bronx Charter School for Children's 2019 financial statements, and our report dated October 31, 2019, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 2 to the financial statements, The Bronx Charter School for Children adopted Financial Accounting Standards Board ("FASB") Accounting Standards Updates ("ASU") No. 2014-09, No. 2016-18 and No. 2018-08. Our opinion is not modified with respect to this matter.



GRASSI & CO., CPAs, P.C.

White Plains, New York
October 30, 2020

THE BRONX CHARTER SCHOOL FOR CHILDREN
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS AT JUNE 30, 2019)

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 3,648,218	\$ 2,744,357
Contributions receivable	60,000	993
Government grants and other receivables	266,806	36,050
Investments	2,754,832	2,726,473
Prepaid expenses and other	299,841	364,066
Property and equipment, net	39,152	76,607
Restricted deposit	100,003	75,110
	<u>7,168,852</u>	<u>6,023,656</u>
TOTAL ASSETS	<u>\$ 7,168,852</u>	<u>\$ 6,023,656</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accrued expenses and other payables	\$ 775,068	\$ 831,439
Deferred revenue	-	122,771
Loan payable	1,049,887	-
	<u>1,824,955</u>	<u>954,210</u>
TOTAL LIABILITIES	<u>1,824,955</u>	<u>954,210</u>
Commitments and Contingencies		
Net Assets:		
Without donor restrictions		
Operating	2,383,550	2,118,815
Board designated	2,900,347	2,940,631
Total without donor restrictions	<u>5,283,897</u>	<u>5,059,446</u>
With donor restrictions	<u>60,000</u>	<u>10,000</u>
TOTAL NET ASSETS	<u>5,343,897</u>	<u>5,069,446</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,168,852</u>	<u>\$ 6,023,656</u>

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

THE BRONX CHARTER SCHOOL FOR CHILDREN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE:				
Revenue - student enrollment	\$ 6,627,952	\$ -	\$ 6,627,952	\$ 6,637,679
Revenue - students with disabilities	615,227	-	615,227	600,021
Government grants	390,637	-	390,637	392,799
Contributions	94,504	60,000	154,504	105,554
In-kind contributions	390,740	-	390,740	443,354
Interest and other income	54,464	-	54,464	70,397
Net assets released from donor restrictions	10,000	(10,000)	-	-
TOTAL SUPPORT AND REVENUE	8,183,524	50,000	8,233,524	8,249,804
EXPENSES:				
Program services	7,097,401	-	7,097,401	7,492,264
Supporting services:				
Fundraising and development	161,838	-	161,838	128,618
Management and general	699,834	-	699,834	660,515
TOTAL EXPENSES	7,959,073	-	7,959,073	8,281,397
CHANGE IN NET ASSETS	224,451	50,000	274,451	(31,593)
NET ASSETS, BEGINNING OF YEAR	5,059,446	10,000	5,069,446	5,101,039
NET ASSETS, END OF YEAR	\$ 5,283,897	\$ 60,000	\$ 5,343,897	\$ 5,069,446

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

THE BRONX CHARTER SCHOOL FOR CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

		2020						
		Program Services			Supporting Services			
		Regular Education	Special Education	Total Program	Fundraising and Development	Management and General	Total	2019 Total
	No. of Positions							
Personnel costs								
Administrative personnel	12	\$ 547,839	\$ 47,638	\$ 595,477	\$ 58,308	\$ 424,306	\$ 1,078,091	\$ 1,067,411
Instructional personnel	43	2,601,061	688,965	3,290,026	-	-	3,290,026	3,519,010
	<u>55</u>							
Total Personnel		3,148,900	736,603	3,885,503	58,308	424,306	4,368,117	4,586,421
Payroll taxes and employee benefits		643,596	150,552	794,148	11,917	86,723	892,788	917,150
Retirement / pension		51,400	12,024	63,424	952	6,926	71,302	61,617
Legal		-	-	-	-	14,022	14,022	6,509
Accounting / Audit		-	-	-	-	23,700	23,700	18,500
Other purchases / professional / consulting		97,699	8,749	106,448	85,403	50,688	242,539	274,028
Building and land rent / lease		1,067,074	98,347	1,165,421	853	52,403	1,218,677	1,195,284
Repairs and maintenance		127,403	11,742	139,145	102	6,257	145,504	175,646
Insurance		48,989	11,460	60,449	907	6,601	67,957	67,240
Utilities		80,423	7,412	87,835	64	3,950	91,849	93,951
Supplies and materials		144,154	12,535	156,689	-	-	156,689	121,909
Equipment / furniture		32,871	7,689	40,560	609	4,429	45,598	49,504
Staff development		9,204	2,153	11,356	170	1,241	12,767	19,039
Marketing and recruiting expenses		16,701	3,907	20,608	309	2,250	23,167	5,436
Technology		39,282	9,189	48,471	727	5,294	54,492	53,642
Food services / school lunch		356,404	30,992	387,396	-	-	387,396	443,759
Student services		26,539	2,308	28,847	-	-	28,847	44,801
Office expense		54,934	12,850	67,784	1,017	7,406	76,207	92,731
Depreciation and amortization		27,001	6,316	33,317	500	3,638	37,455	54,230
Total Expenses		<u>\$ 5,972,574</u>	<u>\$ 1,124,828</u>	<u>\$ 7,097,401</u>	<u>\$ 161,838</u>	<u>\$ 699,834</u>	<u>\$ 7,959,073</u>	<u>\$ 8,281,397</u>

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

THE BRONX CHARTER SCHOOL FOR CHILDREN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 274,451	\$ (31,593)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	37,455	54,230
Deferred rent payable	-	(5,603)
Changes in operating assets and liabilities:		
(Increase) Decrease in assets:		
Contributions receivable	(59,007)	19,743
Government grants and other receivables	(230,756)	23,162
Prepaid expenses and other	64,225	(27,704)
Increase (Decrease) in liabilities:		
Accrued expenses and other payables	(56,371)	62,569
Deferred revenue	(122,771)	109,697
Net Cash (Used in) Provided by Operating Activities	<u>(92,774)</u>	<u>204,501</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(3,279,997)	(4,674,312)
Proceeds from sale of investments	3,251,638	4,648,394
Property and equipment acquisitions	-	(16,239)
Net Cash Used in Investing Activities	<u>(28,359)</u>	<u>(42,157)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	1,049,887	-
Net Cash Provided by Financing Activities	<u>1,049,887</u>	<u>-</u>
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	928,754	162,344
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>2,819,467</u>	<u>2,657,123</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 3,748,221</u>	<u>\$ 2,819,467</u>

Cash, cash equivalents, and restricted cash are included in the statements of financial position at June 30, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,648,218	\$ 2,744,357
Cash-restricted deposit	100,003	75,110
Total	<u>\$ 3,748,221</u>	<u>\$ 2,819,467</u>

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

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 - School and Nature of Activities

The Bronx Charter School for Children (the "School") operates under a charter (the "Charter") granted by the Board of Regents of the State of New York (the "Regents") under the New York Charter Schools Act of 1998. Pursuant to the terms of its most recent renewal, the Charter is scheduled to expire in June 2024. The School is an education corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School is located in the Bronx, New York and is primarily funded by revenue received under its Charter.

The Mission of The Bronx Charter School for Children is to empower our children to achieve their greatest potential both as students and as members of their communities.

In September 2004, the School was opened to serve 132 students in grades K through 1. Pursuant to the Charter, the School may serve up to 432 students in grades K through 5. For the year ended June 30, 2020, the School's total full-time equivalent ("FTE") student count was approximately 399. Included in the total FTE student count is approximately 51 FTE students that received special education services, of which the School received reimbursement for approximately 33 FTE students.

Note 2 - Summary of Significant Accounting Policies

Changes in Accounting Principles

ASU No. 2014-09

Effective July 1, 2019, the School adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09") using a modified retrospective method of adoption to all contracts with customers at July 1, 2019. ASU 2014-09 requires the School to recognize revenue to depict the provision of services to individuals with a history of severe mental illness. The amount to which the School expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing the services. Because contracts are generally complete within one year, the School used the actual transaction price rather than estimating variable consideration amounts for contracts completed during the year ended June 30, 2020.

ASU No. 2016-18

Effective July 1, 2019, the School adopted the provisions of FASB ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* on a modified retrospective basis. This ASU requires that the statement of cash flows explain the change during the period in the total cash, cash equivalents, and restricted cash or restricted cash equivalents.

ASU No. 2018-08

Effective July 1, 2019, the School adopted the provisions of FASB ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08") on a modified prospective basis. This ASU provides for guidance to assist the School in evaluating the transfer of assets and the nature of the related transactions. The School considers whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The presence of both indicates that the recipient is not entitled to the transferred assets or a future transfer of assets until it has overcome any barriers in the agreement.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Basis of Accounting

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

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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting the School's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At June 30, 2020 and 2019, the fair value of the School's financial instruments, including cash and cash equivalents, contributions receivable, government grants and other receivables, restricted deposit, and accrued expenses and other payables, approximated book value due to the short maturity of these instruments.

Refer to Note 4 - Fair Value Measurements for assets measured at fair value.

Cash and Cash Equivalents

The School considers all highly liquid investments with an original maturity of three months or less to be cash equivalents, except for cash equivalents included in Investments and the restricted deposit held by the School, as required by the Charter Agreement.

Contributions Receivable

Contributions receivable due in one year are recorded at their net realizable value. Contributions receivable due in more than one year are recorded at the present value of their net realizable value, using risk-free interest rates to discount the amounts applicable to the years in which the contributions are received, unless such discount is deemed to be immaterial. At June 30, 2020, all amounts are due within one year.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Government Grants and Other Receivables

The School records receivables and revenue when earned based on established rates. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors.

Allowance for Doubtful Accounts

The School determines whether an allowance for doubtful accounts should be provided for contributions and grants and other receivables. Such estimates are based on management's assessment of the aged basis of the receivables, current economic conditions and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Interest is not charged on outstanding receivables. No allowance has been provided for contributions and grants and other receivables.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and amortization. The School capitalizes property and equipment with a useful life of two years or more and a cost of \$1,000 or more. Depreciation is provided using the straight-line method in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives. Leasehold improvements are amortized over the shorter of their useful lives or the term of the lease.

	<u>Estimated Useful Life</u>
Leasehold improvements	5 to 10 years
Computer software and equipment	3 years
Furniture and equipment	3 to 5 years

Net Assets

Net assets without donor restrictions include funds having no restriction as to use or purpose imposed by donors. Net assets with donor restrictions are those whose use has been limited by donors to a specific time period or purpose, or those net assets whose principal may or may not be expended, the income from which is expendable to support general operations.

The School has established an operating reserve, which is set at an estimate of three months of general operating expenses. All net assets without donor restrictions in excess of the operating reserve are designated by the Board of Trustees for extended programs to enhance academic achievement, capital purchases, facilities procurement and other projects.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Contributions

Contributions are provided to the School either with or without donor restrictions. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts and grants, with or without restrictions</i>	
Gifts and grants that depend on the School overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts and grants, with or without restrictions</i>	
Received at date of gift - cash and other assets	Fair value
Received at date of gift - property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 - Summary of Significant Accounting Policies (cont'd.)

In-kind Contributions

In-kind contributions are recorded at their estimated fair value. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the years ended June 30, 2020 and 2019, respectively, the School received estimated \$390,740 and \$443,354 of donated food and related services (provided by the New York City Department of Education (“NYCDOE”), which is included as revenue and expenses in the accompanying financial statements.

The following services are not included as in-kind contributions: the NYCDOE provides bus service and certain special education services to the School at no charge. The NYCDOE also provides a nurse to the School at no charge.

Functional Expenses

The costs of providing the School's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Instructional personnel costs are directly charged to program services. Expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort.

Operating Leases

Rent expense has been recorded on the straight-line basis over the life of the lease. Deferred rent, if material, has been recorded for the difference between the fixed payment and rent expense.

Uncertainty in Income Taxes

The School applies the provisions pertaining to uncertain tax provisions (FASB Accounting Standards Codification (“ASC”) Topic 740) and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

New Accounting Pronouncements

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU is the result of a joint project of the FASB and the International Accounting Standards Board (“IASB”) to increase transparency and comparability among entities by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards (“IFRS”). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede FASB ASC Topic 840, *Leases*.

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022, based on the decision in ASU No. 2020-05 to defer the implementation dates. Early application is permitted for all entities.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 3 - Revenue from Contracts with Government Agencies

Service Revenue

The School receives service revenue funding from one government agency, the New York State Education Department (“NYSED”), to provide education to general and special-ed students. The School is reimbursed on a per-pupil basis, calculated on its full time equivalent (“FTE”) student enrollment for the year. The School receives periodic advances of funding from New York State based on its projected enrollment. Amounts received in excess of actual enrollment are recorded as deferred revenue.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by the School in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided based on established rates. The School believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The School measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies’ stipulations.

Because all of its performance obligations relate to contracts with a duration of less than one year, the School has elected to apply the optional exemption provided in FASB ASC Subtopic 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed and upon submission of required documentation.

The School determines the transaction price based on established rates and contracts for services provided. The initial estimate of the transaction price is determined by reducing the established rates for services provided by any implicit price concessions based on historical collection experience with each government school. The School has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payors and service lines. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

Significant Judgments

Laws and regulations concerning government programs are complex and subject to varying interpretation. There can be no assurance that regulatory authorities will not challenge the School’s compliance with these laws and regulations, and it is not possible to determine the impact, if any, such claims or penalties would have upon the School.

From time to time, the School will receive overpayments resulting in amounts owed back to the government agency. In addition, the contracts the School has with the government agencies provide reconciliation and retroactive audit and review of documentation and annual report filings, which may result in adjustments. Provisions for settlements are accrued on an estimated basis in the period in which the related services are rendered. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. Any differences between estimated reimbursement and any subsequent revisions thereto are included in operations in the year of such review or settlement. It is management's opinion that unrecorded retroactive adjustments, if any, will not have a material effect on the financial condition of the School.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 3 - Revenue from Contracts with Government Agencies (cont'd.)

As of June 30, 2020 and 2019, the School did not have any estimated liability for amounts due to government agencies.

Disaggregation of Revenue

The composition of revenue by program and primary payor, as well as revenue by reimbursement method, for the year ended June 30, 2020 is as follows:

	NYSED
Regular Education	\$ 7,018,589
Special Education	615,227
	\$ 7,633,816

Reimbursement Method Over Time

Per diem	\$ -
Per month	-
Established rates	7,633,816
	\$ 7,633,816

Note 4 - Fair Value Measurements

The School measures its investments at fair value. Fair value is an exit price, representing the amount that would be received on the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, a three-tier fair value hierarchy is used which prioritizes the inputs in the valuation methodologies in measuring fair value.

Fair Value Hierarchy

The methodology for measuring fair value specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect the School's own assumptions of market participant valuation (unobservable inputs).

The School's direct investments in certificates of deposit and corporate and government agency bonds are classified as Level 2 investments based upon trading frequency.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 4 - Fair Value Measurements (cont'd.)

Items Measured at Fair Value on a Recurring Basis

Fair values of assets measured on a recurring basis at June 30, 2020 and 2019 are as follows:

	2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Fixed income securities - U.S. Treasury Bills	\$ -	\$ 1,794,513	\$ -	\$ 1,794,513
Certificates of deposit	-	960,319	-	960,319
	\$ -	\$ 2,754,832	\$ -	\$ 2,754,832
	2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Fixed income securities - U.S. Treasury Bills	\$ -	\$ 2,486,533	\$ -	\$ 2,486,533
Certificates of deposit	-	239,940	-	239,940
	\$ -	\$ 2,726,473	\$ -	\$ 2,726,473

Note 5 - Restricted Deposit

Pursuant to its most recent Charter renewal, the School is required to maintain a separate escrow account of not less than \$100,000 to pay for certain administrative expenses in the event that the School undergoes a dissolution.

Note 6 - Property and Equipment

Property and equipment, net consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 154,768	\$ 154,768
Computer software and equipment	324,122	324,122
Furniture and equipment	124,307	124,307
	603,197	603,197
Less: Accumulated depreciation and amortization	564,045	526,590
	\$ 39,152	\$ 76,607

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 7 - Loan Payable - Paycheck Protection Program Loan

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted to provide emergency assistance for individuals, families, and organizations affected by the coronavirus pandemic. The Paycheck Protection Program (“PPP”), created through the CARES Act, provides qualified organizations with loans of up to \$10,000,000. Under the terms of the CARES Act and the PPP, the School can apply for and be granted forgiveness for all or a portion of the loan issued to the extent the proceeds are used in accordance with the PPP. At this time, the School believes that its use of the loan proceeds will meet the conditions for forgiveness under the PPP and expects the loan to be recorded as income when it is probable that forgiveness conditions have been met.

At June 30, 2020, the School’s PPP loan is as follows:

On April 30, 2020, the Company received a \$1,049,887 loan from Alpine Capital Bank under the PPP loan program established by the Small Business Administration. Monthly installments of \$59,037, including interest at 1% per annum, were due beginning in November 2020; however under recently issued SBA guidance, there is an additional ten month window during which the School does not have to make any repayments and can submit its application for forgiveness. As a result, payments aren’t required until October 2021. The loan is unsecured and matures in May 4, 2022.

\$ 1,049,887

Principal payments on the loan are due as follows:

Years Ending June 30:

2021	\$ -
2022	<u>1,049,887</u>
	<u>\$ 1,049,887</u>

Note 8 - Retirement Plan Costs

The School maintains a 401(k) defined contribution retirement plan (the “Plan”) covering all employees. Contributions to the Plan are made at the discretion of the School. Contributions made by the School under this Plan vest evenly over a three-year period. Retirement plan expense amounted to \$71,302 and \$61,617 for the years ended June 30, 2020 and 2019, respectively. Contributions made by the Plan participants vest immediately.

Note 9 - Concentrations

The School maintains cash balances in several financial institutions, which are insured by the Federal Deposit Insurance Corporation (“FDIC”) for up to \$250,000 per institution. From time to time, the School’s balances may exceed these limits.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 10 - Commitments and Contingencies

The School leases a building to house the School. The lease was renewed January 2018 for ten years expiring July 31, 2028. The annual rent is subject to annual cost of living adjustment escalations of up to 3% over the prior year's rent. In addition, the School has entered into various equipment lease agreements, which expire by September 2021.

Approximate future minimum annual rental commitments under noncancellable lease obligations are as follows:

<u>Years Ending June 30:</u>	<u>Building Rent</u>	<u>Equipment Rent</u>	<u>Total</u>
2021	\$ 1,180,716	\$ 25,056	\$ 1,205,772
2022	1,180,716	6,264	1,186,980
2023	1,180,716	-	1,180,716
2024	1,180,716	-	1,180,716
2025	1,180,716	-	1,180,716
Thereafter	3,542,148	-	3,542,148
	<u>\$ 9,445,728</u>	<u>\$ 31,320</u>	<u>\$ 9,477,048</u>

The School records rent expense on the straight-line basis as required by U.S. GAAP. Rent expense amounted to approximately \$1,199,000 and \$1,173,000 for the years ended June 30, 2020 and 2019, respectively.

A substantial amount of the School's revenues is from government sources. Revenue and related expenses are subject to audit verification by the funding agencies. Accordingly, any amounts which are determined to be excessive or non-program related would require repayment to such agency. In the opinion of management, any actual disallowance would be immaterial.

As a result of the spread of the coronavirus ("COVID-19"), economic uncertainties have arisen which are likely to negatively impact the recognition of program income and the generation of contributions. Other financial impact could occur, though such potential impact is unknown at this time.

Note 11 - Donor Restricted Net Assets

Donor restricted net assets are restricted as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Technology program	\$ -	\$ 10,000
COVID-19 assistance	10,000	-
Predevelopment expenses	50,000	-
	<u>\$ 60,000</u>	<u>\$ 10,000</u>

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 11 - Donor Restricted Net Assets (cont'd.)

Donor restricted net assets were released from restrictions by incurring expenses satisfying the following:

	<u>2020</u>	<u>2019</u>
Technology program	\$ 10,000	\$ 10,000
Counseling services	-	50,000
	<u>10,000</u>	<u>60,000</u>

Note 12 - Available Resources and Liquidity

The following reflects the School's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,648,218	\$ 2,744,357
Contributions receivable	60,000	993
Government grants and other receivables	266,806	36,050
Investments	<u>2,754,832</u>	<u>2,726,473</u>
Total financial assets	6,729,856	5,507,873
Less: Contractual or donor-imposed restrictions		
Donor restrictions	<u>(60,000)</u>	<u>(10,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,669,856</u>	<u>\$ 5,497,873</u>

The School regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The School has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt securities. The School's tuition revenue is advanced throughout the year, providing a consistent stream of revenue.

Note 13 - Subsequent Events

Management has evaluated all events or transactions that occurred after June 30, 2020 through October 30, 2020, the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.

INDEPENDENT AUDITORS' 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
The Bronx Charter School for Children
Bronx, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Bronx Charter School for Children (the "School") which comprise the statement of financial position as of June 30, 2020 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, 2020.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

White Plains, New York
October 30, 2020



Annual Financial Statement Audit Report

for Board of Regents Authorized Charter Schools

School Name:	Charter School Name
Date (Report is due Nov. 1):	November 1, 2020
Primary District of Location (If NYC select NYC DOE):	New York City Department of Education
If located in NYC DOE select CSD:	NYCSD #7
School Fiscal Contact Name:	Anastasiya Rosenbaum
School Fiscal Contact Email:	[REDACTED]
School Fiscal Contact Phone:	[REDACTED]
School Audit Firm Name:	GRASS
School Audit Contact Name:	Derek Flanagan, CPA
School Audit Contact Email:	[REDACTED]
School Audit Contact Phone:	[REDACTED]
Audit Period:	2019-20
Prior Year:	2018-19

The following items are required to be included:

- 1.) The independent auditor's report on financial statements and notes.
- 2.) Excel template file containing the Financial Position, Statement of Activities, Cash Flow and Functional Expenses worksheets.
- 3.) Reports on internal controls over financial reporting and on compliance.

The additional items listed below should be included if applicable. Please explain the reason(s) if the items are not included. Examples might include: a written management letter was not issued; the school did not expend federal funds in excess of the Single Audit Threshold of \$750,000; the management letter response will be submitted by the following date (should be no later than 30 days from the submission of the report); etc.

Item	If not included, state the reason(s) below (if not applicable fill in N/A):
Management Letter	
Management Letter Response	
Form 990	
Federal Single Audit (A-133)	N/A
Corrective Action Plan	N/A

Charter School Name
Statement of Financial Position
as of June 30

	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,748,221	\$ 2,819,467
Grants and contracts receivable	60,000	993
Accounts receivables	266,806	36,050
Prepaid Expenses	299,841	364,066
Contributions and other receivables	-	-
Other current assets	2,754,832	2,726,473
TOTAL CURRENT ASSETS	7,129,700	5,947,049
<u>NON-CURRENT ASSETS</u>		
Property, Building and Equipment, net	\$ 39,152	\$ 76,607
Restricted Cash	-	-
Security Deposits	-	-
Other Non-Current Assets	-	-
TOTAL NON-CURRENT ASSETS	39,152	76,607
TOTAL ASSETS	<u>7,168,852</u>	<u>6,023,656</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 162,168	\$ 180,145
Accrued payroll, payroll taxes and benefits	612,900	651,294
Current Portion of Loan Payable	1,049,887	-
Due to Related Parties	-	-
Refundable Advances	-	-
Deferred Revenue	-	122,771
Other Current Liabilities	-	-
TOTAL CURRENT LIABILITIES	1,824,955	954,210
<u>LONG-TERM LIABILITIES</u>		
Loan Payable; Due in More than One Year	\$ -	\$ -
Deferred Rent	-	-
Due to Related Party	-	-
Other Long-Term Liabilities	-	-
TOTAL LONG-TERM LIABILITIES	-	-
TOTAL LIABILITIES	<u>1,824,955</u>	<u>954,210</u>
<u>NET ASSETS</u>		
Unrestricted	\$ 5,283,897	\$ 5,059,446
Temporarily restricted	60,000	10,000
Permanently restricted	-	-
TOTAL NET ASSETS	<u>5,343,897</u>	<u>5,069,446</u>
TOTAL LIABILITIES AND NET ASSETS	<u>7,168,852</u>	<u>6,023,656</u>

Charter School Name
Statement of Activities
as of June 30

	2020			2019
	Unrestricted	Temporarily Restricted	Total	Total
OPERATING REVENUE				
State and Local Per Pupil Revenue - Reg. Ed	\$ 6,627,952	\$ -	\$ 6,627,952	\$ 6,637,679
State and Local Per Pupil Revenue - SPED	615,227	-	615,227	600,021
State and Local Per Pupil Facilities Revenue	-	-	-	-
Federal Grants	390,637	-	390,637	392,799
State and City Grants	-	-	-	-
Other Operating Income	158,968	50,000	208,968	175,951
Food Service/Child Nutrition Program	390,740	-	390,740	443,354
TOTAL OPERATING REVENUE	8,183,524	50,000	8,233,524	8,249,804
EXPENSES				
Program Services				
Regular Education	\$ 7,097,401	\$ -	\$ 7,097,401	\$ 7,492,264
Special Education	-	-	-	-
Other Programs	-	-	-	-
Total Program Services	7,097,401	-	7,097,401	7,492,264
Management and general	699,834	-	699,834	128,618
Fundraising	161,838	-	161,838	660,515
TOTAL EXPENSES	7,959,073	-	7,959,073	8,281,397
SURPLUS / (DEFICIT) FROM OPERATIONS	224,451	50,000	274,451	(31,593)
SUPPORT AND OTHER REVENUE				
Interest and Other Income	\$ -	\$ -	\$ -	\$ -
Contributions and Grants	-	-	-	-
Fundraising Support	-	-	-	-
Investments	-	-	-	-
Donated Services	-	-	-	-
Other Support and Revenue	-	-	-	-
TOTAL SUPPORT AND OTHER REVENUE	-	-	-	-
Net Assets Released from Restrictions / Loss on Disposal of Assets	\$ -	\$ -	\$ -	\$ -
CHANGE IN NET ASSETS	224,451	50,000	274,451	(31,593)
NET ASSETS - BEGINNING OF YEAR	\$ 5,059,446	\$ 10,000	\$ 5,069,446	\$ 5,101,039
PRIOR YEAR/PERIOD ADJUSTMENTS	-	-	-	-
NET ASSETS - END OF YEAR	\$ 5,283,897	\$ 60,000	\$ 5,343,897	\$ 5,069,446

Charter School Name
Statement of Cash Flows

as of June 30

	<u>2020</u>	<u>2019</u>
CASH FLOWS - OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 274,451	\$ (31,593)
Revenues from School Districts	-	-
Accounts Receivable	(59,007)	19,743
Due from School Districts	-	-
Depreciation	37,455	54,230
Grants Receivable	(230,756)	23,162
Due from NYS	-	-
Grant revenues	-	-
Prepaid Expenses	64,225	(27,704)
Accounts Payable	-	(5,603)
Accrued Expenses	(56,371)	62,569
Accrued Liabilities	-	-
Contributions and fund-raising activities	-	-
Miscellaneous sources	-	-
Deferred Revenue	(122,771)	109,697
Interest payments	-	-
Other	-	-
Other	-	-
NET CASH PROVIDED FROM OPERATING ACTIVITIES	\$ (92,774)	\$ 204,501
CASH FLOWS - INVESTING ACTIVITIES	\$	\$
Purchase of equipment	-	(16,239)
Other	(28,359)	(25,918)
NET CASH PROVIDED FROM INVESTING ACTIVITIES	\$ (28,359)	\$ (42,157)
CASH FLOWS - FINANCING ACTIVITIES	\$	\$
Principal payments on long-term debt	-	-
Other	1,049,887	-
NET CASH PROVIDED FROM FINANCING ACTIVITIES	\$ 1,049,887	\$ -
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ 928,754	\$ 162,344
Cash at beginning of year	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 928,754	\$ 162,344

Charter School Name
Statement of Functional Expenses
as of June 30

	No. of Positions	2020							2019	
		Program Services				Supporting Services			Total	
		Regular Education	Special Education	Other Education	Total	Fundraising	Management and General	Total		
Personnel Services Costs		\$	\$	\$	\$	\$	\$	\$	\$	
Administrative Staff Personnel	12.00	547,839	47,638	-	595,477	58,308	424,306	482,614	1,078,091	1,067,411
Instructional Personnel	43.00	2,601,061	688,965	-	3,290,026	-	-	-	3,290,026	3,519,010
Non-Instructional Personnel	-	-	-	-	-	-	-	-	-	-
Total Salaries and Staff	55.00	3,148,900	736,603	-	3,885,503	58,308	424,306	482,614	4,368,117	4,586,421
Fringe Benefits & Payroll Taxes		643,596	150,552	-	794,148	11,917	86,723	98,640	892,788	917,150
Retirement		51,400	12,024	-	63,424	952	6,926	7,878	71,302	61,617
Management Company Fees		-	-	-	-	-	-	-	-	-
Legal Service		-	-	-	-	-	14,022	14,022	14,022	6,509
Accounting / Audit Services		-	-	-	-	-	23,700	23,700	23,700	18,500
Other Purchased / Professional / Consulting Services		97,699	8,749	-	106,448	85,403	50,688	136,091	242,539	274,028
Building and Land Rent / Lease		1,067,074	98,347	-	1,165,421	853	52,403	53,256	1,218,677	1,195,284
Repairs & Maintenance		127,403	11,742	-	139,145	102	6,257	6,359	145,504	175,646
Insurance		48,989	11,460	-	60,449	907	6,601	7,508	67,957	67,240
Utilities		80,423	7,412	-	87,835	64	3,950	4,014	91,849	93,951
Supplies / Materials		144,154	12,535	-	156,689	-	-	-	156,689	121,909
Equipment / Furnishings		32,871	7,689	-	40,560	609	4,429	5,038	45,598	49,504
Staff Development		9,204	2,153	-	11,357	170	1,241	1,411	12,768	19,039
Marketing / Recruitment		16,701	3,907	-	20,608	309	2,250	2,559	23,167	5,436
Technology		39,282	9,189	-	48,471	727	5,294	6,021	54,492	53,642
Food Service		356,404	30,992	-	387,396	-	-	-	387,396	443,759
Student Services		26,539	2,308	-	28,847	-	-	-	28,847	44,801
Office Expense		54,934	12,850	-	67,784	1,017	7,406	8,423	76,207	92,731
Depreciation		27,001	6,316	-	33,317	500	3,638	4,138	37,455	54,230
OTHER		-	-	-	-	-	-	-	-	-
Total Expenses		\$ 5,972,574	\$ 1,124,828	\$ -	\$ 7,097,402	\$ 161,838	\$ 699,834	\$ 861,672	\$ 7,959,074	\$ 8,281,397



October 30, 2020

50 Jericho Quadrangle

Jericho NY, 11753

This representation letter is provided in connection with your audit of the financial statements of The Bronx Charter School for Children (“the Organization”), which comprise the statement(s) of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the disclosures (collectively, the “financial statements”), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 22, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 12) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

- 13) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 14) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 15) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 16) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 17) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 18) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 19) We have no knowledge of violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the combined financial statements, as a basis for recording a loss contingency, or for reporting on noncompliance.
- 20) We are not aware of any instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 21) We are not aware of designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the combined financial statements.
- 22) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
- 23) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 24) We have disclosed to you the names of all of the Organization's related parties and all the related-party relationships and transactions, including any side agreements.
- 25) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 26) We are not aware of any other liabilities or gain or loss contingencies that are required to be accrued or disclosed by *FASB Accounting Standards Codification 450, Contingencies*.
- 27) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 28) The Organization has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balance.

- 29) There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the combined financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Organization vulnerable to the risk of a near term severe impact that have not been properly disclosed in the financial statements.
- 30) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 31) The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 32) Regarding the preparation of the financial statements, the preparation of IRS Form 990, IRS Form 990-T and NYS CHAR500, and advisory services for the implementation of ASU 2014-09, 2016-18 and 2018-08 performed by you we have:
 - a) Made all management decisions and performed all management functions
 - b) Designated an individual with suitable skill, knowledge or experience to oversee the services
 - c) Evaluated the adequacy and results of the service performed, and
 - d) Accepted responsibility for the results of the service.



Signature: _____

Title: _____ Head of School _____

New York State Education Department

Request for Proposals to Establish Charter Schools Authorized by the Board of Regents

2020-21 Budget & Cash Flow Template

General Instructions and Notes for New Application Budgets and Cash Flows Templates

1	Complete ALL SIX columns in BLUE
2	Enter information into the GRAY cells
3	Cells containing RED triangles in the upper right corner in columns B through G contain guidance on that particular item
4	School district per-pupil tuition information is located on the State Aid website at https://stateaid.nysed.gov/charter/ . Rows may be inserted in the worksheet to accommodate additional districts if necessary.
5	The Assumptions column should be completed for all revenue and expense items unless the item is self-explanatory. Where applicable, please reference the page number or section in the application narrative that indicates the assumption being made. For instance, student enrollment would reference the applicable page number in Section I, C of the application narrative.

The Bronx Charter School for Children

PROJECTED BUDGET FOR 2020-2021

Assumptions

July 1, 2020 to June 30, 2021

DESCRIPTION OF ASSUMPTIONS - Please note assumptions when applicable

Please Note: The student enrollment data is entered below in the Enrollment Section beginning in row 155. This will populate the data in row 10.

	REGULAR EDUCATION	SPECIAL EDUCATION	OTHER	FUNDRAISING	MANAGEMENT & GENERAL	TOTAL
Total Revenue	8,426,108	781,666	-	158	537	9,208,468
Total Expenses	7,243,104	1,714,620	-	236,600	711,435	9,905,760
Net Income	1,183,004	(932,954)	-	(236,442)	(710,899)	(697,292)
Actual Student Enrollment	465	59	-	-	-	-
Total Paid Student Enrollment	465	59	-	-	-	524

PROGRAM SERVICES SUPPORT SERVICES

REGULAR EDUCATION SPECIAL EDUCATION OTHER FUNDRAISING MANAGEMENT & GENERAL TOTAL

REVENUE

REVENUES FROM STATE SOURCES

Per Pupil Revenue	CY Per Pupil Rate	REGULAR EDUCATION	SPECIAL EDUCATION	OTHER	FUNDRAISING	MANAGEMENT & GENERAL	TOTAL
District of Location	\$16,123.00	7,497,660	-	-	-	-	7,497,660
School District 2 (Enter Name)		-	-	-	-	-	-
School District 3 (Enter Name)		-	-	-	-	-	-
School District 4 (Enter Name)		-	-	-	-	-	-
School District 5 (Enter Name)		-	-	-	-	-	-
		7,497,660	-	-	-	-	7,497,660
Special Education Revenue		-	646,184	-	-	-	646,184
Grants		-	-	-	-	-	-
Stimulus		-	-	-	-	-	-
Other		29,146	4,236	-	-	-	33,382
Other State Revenue		175,355	25,483	-	-	-	200,838
TOTAL REVENUE FROM STATE SOURCES		7,702,162	675,902	-	-	-	8,378,064

REVENUE FROM FEDERAL FUNDING

IDEA Special Needs	29,259	4,252	-	-	-	-	33,511
Title I	247,518	35,969	-	-	-	-	283,488
Title Funding - Other	56,900	8,269	-	-	-	-	65,169
School Food Service (Free Lunch)	315,694	45,877	-	-	-	-	361,571
Grants							
Charter School Program (CSP) Planning & Implementation	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Other Federal Revenue	-	-	-	-	-	-	-
TOTAL REVENUE FROM FEDERAL SOURCES	649,372	94,367	-	-	-	-	743,738

LOCAL and OTHER REVENUE

Contributions and Donations, Fundraising	52,387	7,613	-	-	-	-	60,000
Erate Reimbursement	16,620	2,415	-	-	-	-	19,036
Interest Income, Earnings on Investments, NYC-DYCD (Department of Youth and Community Developmt.)	5,567	1,369	-	158	537	-	7,631
Food Service (Income from meals)	-	-	-	-	-	-	-
Text Book	-	-	-	-	-	-	-
Other Local Revenue	-	-	-	-	-	-	-
TOTAL REVENUE FROM LOCAL and OTHER SOURCES	74,575	11,397	-	158	537	-	86,666

TOTAL REVENUE

REGULAR EDUCATION	8,426,108	781,666	-	158	537	-	9,208,468
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List exact titles and staff FTE's (Full time equivalent)

EXPENSES

ADMINISTRATIVE STAFF PERSONNEL COSTS

	No. of Positions	REGULAR EDUCATION	SPECIAL EDUCATION	OTHER	FUNDRAISING	MANAGEMENT & GENERAL	TOTAL
Executive Management	2.00	168,519	15,320	-	30,640	91,920	306,399
Instructional Management	-	-	-	-	-	-	-
Deans, Directors & Coordinators	-	-	-	-	-	-	-
CFO / Director of Finance	2.00	22,397	29,116	-	-	172,457	223,970
Operation / Business Manager	1.00	-	-	-	-	-	-
Administrative Staff	3.00	28,020	28,020	-	87,500	136,658	280,198
TOTAL ADMINISTRATIVE STAFF	8	218,936	72,456	-	118,140	401,035	810,567

INSTRUCTIONAL PERSONNEL COSTS

Teachers - Regular	30.00	2,009,146	-	-	-	-	2,009,146
Teachers - SPED	16.00	507,851	743,438	-	-	-	1,251,289
Substitute Teachers	1.00	61,118	8,882	-	-	-	70,000
Teaching Assistants	-	-	-	-	-	-	-
Specialty Teachers	7.00	557,250	80,980	-	-	-	638,230

The Bronx Charter School for Children

PROJECTED BUDGET FOR 2020-2021

July 1, 2020 to June 30, 2021

Assumptions

DESCRIPTION OF ASSUMPTIONS - Please note assumptions when applicable

Please Note: The student enrollment data is entered below in the Enrollment Section beginning in row 155. This will populate the data in row 10.

	REGULAR EDUCATION	SPECIAL EDUCATION	OTHER	FUNDRAISING	MANAGEMENT & GENERAL	TOTAL
Total Revenue	8,426,108	781,666	-	158	537	9,208,468
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Actual Student Enrollment	465	59	-	-	-	-
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PROGRAM SERVICES SUPPORT SERVICES

REGULAR EDUCATION SPECIAL EDUCATION OTHER FUNDRAISING MANAGEMENT & GENERAL TOTAL

Aides	1.00	47,240	6,865	-	-	54,105
Therapists & Counselors	2.00	119,360	17,345	-	-	136,705
Other	4.00	640,429	93,067	-	-	733,497
TOTAL INSTRUCTIONAL	61	3,942,394	950,577	-	-	4,892,971
NON-INSTRUCTIONAL PERSONNEL COSTS						
Nurse	-	-	-	-	-	-
Librarian	-	-	-	-	-	-
Custodian	-	-	-	-	-	-
Security	-	-	-	-	-	-
Other	-	-	-	-	-	-
TOTAL NON-INSTRUCTIONAL	-	-	-	-	-	-
SUBTOTAL PERSONNEL SERVICE COSTS	69	4,161,330	1,023,033	-	118,140	5,703,537
PAYROLL TAXES AND BENEFITS						
Payroll Taxes	-	314,435	77,301	-	8,927	430,966
Fringe / Employee Benefits	-	493,231	121,257	-	14,003	676,024
Retirement / Pension	-	67,455	16,583	-	1,915	92,454
TOTAL PAYROLL TAXES AND BENEFITS	-	875,121	215,142	-	24,845	1,199,444
TOTAL PERSONNEL SERVICE COSTS	-	5,036,451	1,238,175	-	142,985	6,902,982
CONTRACTED SERVICES						
Accounting / Audit	-	-	-	-	20,601	20,601
Legal	-	-	-	-	11,772	11,772
Management Company Fee	-	-	-	-	-	-
Nurse Services	-	-	-	-	-	-
Food Service / School Lunch	-	-	-	-	-	-
Payroll Services	-	-	-	-	12,949	12,949
Special Ed Services	-	-	-	-	-	-
Titlement Services (i.e. Title I)	-	-	-	-	-	-
Other Purchased / Professional / Consulting	-	23,711	3,446	-	53,450	125,000
TOTAL CONTRACTED SERVICES	-	23,711	3,446	-	89,716	170,323
SCHOOL OPERATIONS						
Board Expenses	-	4,295	1,056	-	122	5,886
Classroom / Teaching Supplies & Materials	-	39,427	5,730	-	-	45,157
Special Ed Supplies & Materials	-	22,315	3,243	-	-	25,558
Textbooks / Workbooks	-	101,288	14,719	-	-	116,008
Supplies & Materials other	-	53,617	7,792	-	-	61,409
Equipment / Furniture	-	45,705	11,236	-	1,298	62,644
Telephone	-	18,275	4,493	-	519	25,048
Technology	-	30,398	7,473	-	863	41,664
Student Testing & Assessment	-	23,374	3,397	-	-	26,771
Field Trips	-	2,621	381	-	-	3,002
Transportation (student)	-	-	-	-	-	-
Student Services - other	-	19,096	3,311	-	151	23,073
Office Expense	-	32,175	7,910	-	913	44,099
Staff Development	-	10,634	2,614	-	302	14,575
Staff Recruitment	-	8,323	2,046	-	236	11,407
Student Recruitment / Marketing	-	3,314	815	-	94	4,542
School Meals / Lunch	-	371,089	53,927	-	-	425,016
Travel (Staff)	-	9,923	2,440	-	282	13,601
Fundraising	-	362	89	-	10	496
Other	-	-	-	-	-	-
TOTAL SCHOOL OPERATIONS	-	796,234	132,671	-	4,790	949,956

The Bronx Charter School for Children

PROJECTED BUDGET FOR 2020-2021

Assumptions

July 1, 2020 to June 30, 2021

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PROGRAM SERVICES SUPPORT SERVICES

REGULAR EDUCATION SPECIAL EDUCATION OTHER FUNDRAISING MANAGEMENT & GENERAL TOTAL

FACILITY OPERATION & MAINTENANCE

Insurance	58,661	22,078	-	-	-	80,739
Janitorial	124,023	30,490	-	3,521	11,952	169,987
Building and Land Rent / Lease	915,828	225,150	-	26,000	88,260	1,255,237
Repairs & Maintenance	46,574	11,450	-	1,322	4,488	63,835
Equipment / Furniture	-	-	-	-	-	-
Security	81,980	11,913	-	-	-	93,893
Utilities	83,035	20,414	-	2,357	8,002	113,808

TOTAL FACILITY OPERATION & MAINTENANCE 1,310,101 321,495 - 33,201 112,703 1,777,499

DEPRECIATION & AMORTIZATION 40,128 9,865 - 1,139 3,867 55,000

DISSOLUTION ESCROW & RESERVES / CONTINGENCY 36,480 8,968 - 1,036 3,516 50,000

TOTAL EXPENSES 7,243,104 1,714,620 - 236,600 711,435 9,905,760

NET INCOME 1,183,004 (932,954) - (236,442) (710,899) (697,292)

ENROLLMENT - *School Districts Are Linked To Above Entries*

	REGULAR EDUCATION	SPECIAL EDUCATION	TOTAL ENROLLED
District of Location	465	59	524
School District 2 (Enter Name)			-
School District 3 (Enter Name)			-
School District 4 (Enter Name)			-
School District 5 (Enter Name)			-
TOTAL ENROLLMENT	465	59	524

REVENUE PER PUPIL 18,121 13,249 -

EXPENSES PER PUPIL 15,577 29,061 -



May 30, 2020 through June 30, 2020

Primary Account: [REDACTED]

CHASE BUSINESS PREMIER SAVINGS

BRONX CHARTER SCHOOL FOR CHILDREN

Account Number: [REDACTED]

SAVINGS SUMMARY

	INSTANCES	AMOUNT
Beginning Balance		\$75,151.82
Deposits and Additions	2	24,851.21
Ending Balance	2	\$100,003.03
Annual Percentage Yield Earned This Period		0.03%
Interest Paid This Period		\$2.21
Interest Paid Year-to-Date		\$17.68

Your monthly service fee was waived because you maintained an average savings balance of \$25,000 or more during the statement period.

TRANSACTION DETAIL

DATE	DESCRIPTION	AMOUNT	BALANCE
	Beginning Balance		\$75,151.82
06/26	Online Transfer From Mma ...4266 Transaction# [REDACTED]	24,849.00	100,000.82
06/30	Interest Payment	2.21	100,003.03
	Ending Balance		\$100,003.03

30 deposited items are provided with your account each month. There is a \$0.40 fee for each additional deposited item.

IN CASE OF ERRORS OR QUESTIONS ABOUT YOUR ELECTRONIC FUNDS TRANSFERS: Call us at 1-866-564-2262 or write us at the address on the front of this statement (non-personal accounts contact Customer Service) immediately if you think your statement or receipt is incorrect or if you need more information about a transfer listed on the statement or receipt.

For personal accounts only: We must hear from you no later than 60 days after we sent you the FIRST statement on which the problem or error appeared. Be prepared to give us the following information:

- Your name and account number
- The dollar amount of the suspected error
- A description of the error or transfer you are unsure of, why you believe it is an error, or why you need more information.

We will investigate your complaint and will correct any error promptly. If we take more than 10 business days (or 20 business days for new accounts) to do this, we will credit your account for the amount you think is in error so that you will have use of the money during the time it takes us to complete our investigation.

IN CASE OF ERRORS OR QUESTIONS ABOUT NON-ELECTRONIC TRANSACTIONS: Contact the bank immediately if your statement is incorrect or if you need more information about any non-electronic transactions (checks or deposits) on this statement. If any such error appears, you must notify the bank in writing no later than 30 days after the statement was made available to you. For more complete details, see the Account Rules and Regulations or other applicable account agreement that governs your account. Deposit products and services are offered by JPMorgan Chase Bank, N.A. Member FDIC



JPMorgan Chase Bank, N.A. Member FDIC