

**BRONX CHARTER SCHOOL FOR BETTER LEARNING**

**BRONX, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**OTHER FINANCIAL INFORMATION**

**REPORT REQUIRED BY**  
**GOVERNMENT AUDITING STANDARDS**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2020**

**(With Comparative Totals for 2019)**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

## CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9
 <u>OTHER FINANCIAL INFORMATION</u>	
Independent Auditor's Report on Other Financial Information	20
Statement of Activities and Changes in Net Assets by Charter	21
Statement of Functional Expenses Bronx Charter School for Better Learning I	22
Statement of Functional Expenses Bronx Charter School for Better Learning II	23
 <u>REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	
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	25

INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Bronx Charter School for Better Learning

**Report on the Financial Statements**

We have audited the accompanying financial statements of Bronx Charter School for Better Learning, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Bronx Charter School for Better Learning as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Bronx Charter School for Better Learning's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2019. 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.

**Other Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020 on our consideration of Bronx Charter School for Better Learning'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 Bronx Charter School for Better Learning's internal control over other financial reporting and compliance.

**Emphasis of Matters**

As discussed in Note A to the financial statements, in 2020 Bronx Charter School for Better Learning adopted new accounting guidance for recognition of revenue, contributions received and statement of cash flows presentation. Our opinion is not modified with respect to these matters.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 28, 2020

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

(With Comparative Totals for 2019)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,955,102	\$ 2,942,769
Certificates of deposit	1,406,346	1,087,957
Accounts receivable	407,426	188,092
Grants and contracts receivables	478,691	229,444
Prepaid expenses and other current assets	<u>22,087</u>	<u>60,594</u>
TOTAL CURRENT ASSETS	6,269,652	4,508,856
<u>PROPERTY AND EQUIPMENT</u> , net	364,470	444,538
<u>OTHER ASSET</u> - escrow account	<u>156,754</u>	<u>156,129</u>
TOTAL ASSETS	<u>\$ 6,790,876</u>	<u>\$ 5,109,523</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 57,605	\$ 240,019
Accrued payroll and benefits	1,526,535	1,330,661
Deferred revenue	<u>14,183</u>	<u>50,726</u>
TOTAL CURRENT LIABILITIES	1,598,323	1,621,406
 <u>NET ASSETS</u>		
Without donor restrictions	5,160,808	3,485,085
With donor restrictions	<u>31,745</u>	<u>3,032</u>
TOTAL NET ASSETS	<u>5,192,553</u>	<u>3,488,117</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,790,876</u>	<u>\$ 5,109,523</u>

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2020  
 (With Comparative Totals for 2019)

	Year ended June 30,			2019
	2020		Total	
	Without donor restrictions	With donor restrictions		
Revenue, gains, and other support:				
Public school district				
Resident student enrollment	\$ 15,237,042	\$ -	\$ 15,237,042	\$ 13,310,821
Students with disabilities	1,310,568	-	1,310,568	1,078,770
Grants and contracts				
State and local	187,991	-	187,991	209,569
Federal - Title and IDEA	617,239	-	617,239	605,986
Federal - other	46,054	-	46,054	173,023
TOTAL REVENUE, GAINS AND OTHER SUPPORT	17,398,894	-	17,398,894	15,378,169
Expenses:				
Program services:				
Regular education	12,037,228	-	12,037,228	11,465,404
Special education	2,790,825	-	2,790,825	2,310,217
Total program services	14,828,053	-	14,828,053	13,775,621
Management and general	900,260	-	900,260	837,440
Fundraising and special events	161,903	-	161,903	176,791
TOTAL OPERATING EXPENSES	15,890,216	-	15,890,216	14,789,852
SURPLUS FROM SCHOOL OPERATIONS	1,508,678	-	1,508,678	588,317
Support and other revenue:				
Contributions				
Foundations	72,118	-	72,118	79,625
Individuals	72,313	28,713	101,026	79,359
Fundraising	1,000	-	1,000	11,260
Interest income	21,353	-	21,353	7,127
Miscellaneous income	261	-	261	3,380
TOTAL SUPPORT AND OTHER REVENUE	167,045	28,713	195,758	180,751
CHANGE IN NET ASSETS	1,675,723	28,713	1,704,436	769,068
Net assets at beginning of year	3,485,085	3,032	3,488,117	2,719,049
NET ASSETS AT END OF YEAR	\$ 5,160,808	\$ 31,745	\$ 5,192,553	\$ 3,488,117

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020  
 (With Comparative Totals for 2019)

	No. of Positions	Year ended June 30,						Total	Total
		2020			2019				
		Program Services			Supporting Services				
Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Total	Total		
Personnel services costs:									
Administrative staff personnel	8	\$ 44,097	\$ 22,050	\$ 66,147	\$ 366,022	\$ 105,136	\$ 471,158	\$ 537,305	\$ 498,263
Instructional personnel	144	7,241,575	1,794,723	9,036,298	-	-	-	9,036,298	8,117,099
Non-instructional personnel	8	1,144,359	176,325	1,320,684	167,141	11,382	178,523	1,499,207	1,395,664
Total personnel services costs	160	8,430,031	1,993,098	10,423,129	533,163	116,518	649,681	11,072,810	10,011,026
Fringe benefits and payroll taxes		2,129,266	502,560	2,631,826	133,865	29,211	163,076	2,794,902	2,606,929
Retirement		204,975	47,815	252,790	12,330	2,660	14,990	267,780	243,620
Legal service		-	-	-	7,748	-	7,748	7,748	6,589
Accounting / audit services		-	-	-	35,500	-	35,500	35,500	31,883
Other purchased / professional / consulting services		262,985	39,106	302,091	77,325	653	77,978	380,069	518,728
Repairs and maintenance		131,840	30,740	162,580	7,916	1,706	9,622	172,202	168,193
Insurance		71,123	16,613	87,736	4,300	929	5,229	92,965	80,815
Utilities		67,599	15,943	83,542	4,238	924	5,162	88,704	89,386
Supplies and materials		131,383	23,080	154,463	3,480	762	4,242	158,705	195,932
Non-capitalized equipment/furnishings		6,523	1,542	8,065	412	91	503	8,568	10,080
Staff development		47,630	11,181	58,811	2,934	637	3,571	62,382	100,248
Marketing and recruitment		11,662	2,298	13,960	48,398	119	48,517	62,477	45,934
Technology		46,554	8,175	54,729	1,942	406	2,348	57,077	48,947
Food service		15,349	3,641	18,990	983	215	1,198	20,188	14,592
Student services		168,909	21,758	190,667	-	-	-	190,667	228,858
Office expense		82,564	19,269	101,833	4,975	1,074	6,049	107,882	108,152
Depreciation		195,268	46,329	241,597	12,513	2,744	15,257	256,854	228,452
Other		33,567	7,677	41,244	8,238	3,254	11,492	52,736	51,488
		\$ 12,037,228	\$ 2,790,825	\$ 14,828,053	\$ 900,260	\$ 161,903	\$ 1,062,163	\$ 15,890,216	\$ 14,789,852

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2019)

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,704,436	\$ 769,068
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	256,854	228,452
Bad debt expense	4,193	-
Changes in certain assets and liabilities affecting operations:		
Accounts receivable	(223,527)	255,313
Grants and contracts receivables	(249,247)	4,928
Prepaid expenses and other current assets	38,507	(9,335)
Accounts payable and accrued expenses	(182,414)	(71,021)
Accrued payroll and benefits	195,874	209,287
Deferred revenue	(36,543)	23,187
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,508,133	1,409,879
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(176,786)	(100,811)
Purchases of certificates of deposit	(318,389)	(5,608)
NET CASH USED FOR INVESTING ACTIVITIES	(495,175)	(106,419)
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,012,958	1,303,460
Cash, cash equivalents, and restricted cash at beginning of year	3,098,898	1,795,438
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 4,111,856</u>	<u>\$ 3,098,898</u>
<u>NON-CASH OPERATING AND INVESTING ACTIVITIES</u>		
Purchases of property and equipment included in accounts payable	<u>\$ -</u>	<u>\$ 151,549</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 3,955,102	\$ 2,942,769
Cash in escrow	156,754	156,129
	<u>\$ 4,111,856</u>	<u>\$ 3,098,898</u>

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2019)

NOTE A: THE SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Bronx Charter School for Better Learning (“the Charter School”) is an educational corporation that operates as a charter school in the borough of Bronx, New York. The Charter School operates two schools, Bronx Charter School for Better Learning (“BBL I”) and Bronx Charter School for Better Learning II (“BBL II”). On March 25, 2003, the Board of Regents of the University of the State of New York granted BBL I a provisional charter valid for a term of five years and renewable upon expiration. On May 24, 2017, BBL I obtained a five year charter renewal with the ability to operate through July 31, 2023.

On July 22, 2014, the Board of Regents of the University of the State of New York amended the charter agreement permitting an additional school to be opened by the Charter School. During the 2015 fiscal year, the Charter School added BBL II under its expanded charter. BBL II has the authority to operate through July 30, 2025. The Charter School was established to provide its students in grades K-5 with a solid foundation for academic success, through achievement that exceeds citywide averages and meets or exceeds New York State Standards and national norms in all curriculum areas tested, especially in mathematics and language arts. The Charter School operates a Pre-K program which is not considered a chartered grade. There is a separate contract between the Charter School and the New York Department of Education regarding the operation of the Pre-K program.

The accompanying financial statements include the accounts of BBL I and BBL II (collectively referred to as the “Charter School”). All intercompany balances and transactions have been eliminated in the accompanying financial statements.

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

The assets, liabilities, activities, and net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions*

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Charter School.

*Net Assets With Donor Restrictions*

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had net assets with donor restrictions of \$31,745 and \$3,032 at June 30, 2020 or 2019, respectively.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2019)

NOTE A: THE SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Revenue recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Charter School's public school district revenues qualify as exchange transactions and the revenues are earned over time.

Public School District Revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns public school district revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

Universal Pre-Kindergarten (Pre-K)

Similar to public school district revenue, the Charter School recognizes Pre-K revenue as educational programming is provided to students throughout the year. The maximum revenue amount is based on a contractually determined fixed amount per student and the number of students enrolled at a point in time. This amount could be further reduced if actual costs incurred in providing the Pre-K program are less than the maximum calculated amount of the contract. Amounts are paid in installments throughout the course of the year, with the final 5% paid upon submission of all required documentation at the end of the contract year. Approximately \$188,000 and \$180,000 of funding was received during the years ending June 30, 2020 and 2019, respectively, and is included in the state and local grants line on the accompanying statement of activities and changes in net assets.

Fundraising

The Charter School conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event—the exchange component, and a portion represents a contribution to the Charter School. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Charter School. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Charter School, are recorded as fundraising expense in the statement of functional expenses. The performance obligation is delivery of the event. The event fee is set by the Charter School. Special event fees collected by the Charter School in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2019)

NOTE A: THE SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

For special event fees received before year-end for an event to occur after year-end, the Charter School follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

The following tables summarizes contract balances at their respective statement of financial position dates:

	<u>June 30,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Accounts receivable	\$ 407,426	\$ 188,092	\$ 443,405

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Approximately \$14,000 and \$51,000 was deferred at June 30, 2020 and 2019, respectively, mostly related to the Charter School's summer program.

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. There was no revenue deferred at June 30, 2020 and 2019, respectively. The Charter School typically fully expends their grants within the fiscal year with only minor amounts carrying forward to future periods.

Cash and cash equivalents

Cash and certain money market account balances are maintained at financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. The Charter School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In the normal course of business, the cash and cash equivalent account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

Certificates of deposit

Certificates of deposit represent certificates of deposit with maturities of twelve months or less. These assets are carried at their original cost plus interest earned. In the normal course of business, the account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in certificates of deposit.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2019)

NOTE A: THE SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Accounts, grants and contracts receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2020 or 2019.

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to five years.

Escrow account

The Charter School segregated certain certificates of deposit to fund an escrow account in accordance with the terms of their charter agreement. The amount in escrow as of June 30, 2020 and 2019 was \$156,754 and \$156,129, respectively. The escrow account is restricted to fund legal and other costs should the Charter School cease operations and dissolve.

Tax exempt status

The Charter School is a tax-exempt Charter School under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2017 through June 30, 2020 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

In-kind donations

Gifts and donations other than cash are recorded at fair value at the date of contribution. The Charter School did not receive any in-kind contributions for the years ended June 30, 2020 and 2019.

Contributed services

The Charter School receives contributed services from volunteers to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed. The Charter School received donated transportation, food services and special education services from the local school district. The Charter School was unable to determine a value for these services. In addition, the Charter School is located in New York City Department of Education facilities and utilizes approximately 52,000 square feet at no charge.

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$62,000 and \$46,000 for the years ended June 30, 2020 and 2019, respectively.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2019)

NOTE A: THE SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Comparatives for year ended June 30, 2019

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of new accounting standards

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. For nonpublic entities, the guidance in this new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Charter School adopted ASC 606 with the date of initial application of July 1, 2019.

The Charter School applied ASC 606 using the cumulative effect method, which generally requires the recognition of the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of net assets, at July 1, 2019. There was no adjustment to the opening balance of net assets at July 1, 2019, as a result of this new accounting standard. In addition, the comparative information has not been adjusted and continues to be reported under existing revenue guidance. The Charter School does not expect the adoption of the new revenue standard to have a material impact on its income on an ongoing basis.

As part of the adoption of ASC 606, the Charter School elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligation, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2019)

NOTE A: THE SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Contributions received and contributions made

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. For most resource recipients, this standard is effective for annual reporting periods beginning after December 15, 2018. The Charter School adopted the provisions of ASU 2018-08 applicable to contributions received with a date of initial application of July 1, 2019 under a modified prospective basis. Accordingly, there is no effect on net assets.

Statement of cash flows

In November 2016, the FASB issued new guidance related to the statement of cash flows (ASC 230), which requires entities to include restricted cash in the reconciliation of the beginning-of-year to the end-of-year of cash in the statement of cash flows. ASC 230 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Charter School adopted this standard as of July 1, 2019 using the retrospective transition method.

New accounting pronouncement - leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 28, 2020, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts and certificates of deposit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of teaching, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2019)

NOTE B: LIQUIDITY AND AVAILABILITY, Cont'd

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash and shows positive cash generated by operations for fiscal years 2020 and 2019.

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

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,955,102	\$ 2,942,769
Certificates of deposit	1,406,346	1,087,957
Accounts receivable	407,426	188,092
Grants and other receivables	<u>478,691</u>	<u>229,444</u>
Total financial assets available within one year	6,247,565	4,448,262
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	<u>(31,745)</u>	<u>(3,032)</u>
Total amounts unavailable for general expenditures within one year	<u>(31,745)</u>	<u>(3,032)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 6,215,820</u>	<u>\$ 4,445,230</u>

To help manage unanticipated liquidity needs, the Charter School has a committed line of credit in the amount of \$200,000 which it could draw upon.

NOTE C: SCHOOL FACILITY

The Charter School has an agreement with the New York City Department of Education for dedicated and shared space at no charge at P.S. 111 Annex, a New York City Public School located at 3740 Baychester Avenue, Bronx, New York.

The Charter School has an agreement with the New York City Department of Education for dedicated and shared space at no charge at MS 144, a New York City Public School located at 2545 Gunther Avenue, Bronx, New York.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2019)

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 759,166	\$ 701,591
Computer equipment	<u>1,607,600</u>	<u>1,488,389</u>
	2,366,766	2,189,980
Less accumulated depreciation	<u>2,002,296</u>	<u>1,745,442</u>
	<u>\$ 364,470</u>	<u>\$ 444,538</u>

NOTE E: LINE OF CREDIT

The Charter School entered into a \$200,000 line of credit agreement with a bank during 2013. Interest is payable at prime plus 75 basis points (effective rate of 4.00% at June 30, 2020). There was no outstanding balance at June 30, 2020 and 2019, respectively. The line is secured by a certain certificate of deposit held by the Charter School.

NOTE F: OPERATING LEASES

The Charter School leases office equipment under certain non-cancelable lease agreements expiring through January 2023. Lease expense was approximately \$147,000 and \$137,000 for the years ended June 30, 2020 and 2019, respectively. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 125,123
2022	125,123
2023	<u>72,989</u>
	<u>\$ 323,235</u>

NOTE G: RETIREMENT PLAN

The Charter School sponsors a 403(b) retirement plan (the "Plan") for its employees. All employees of the Charter School are eligible to participate. The Charter School matches 100% of the employee's contributions up to \$2,400 per year. During the years ended June 30, 2020 and 2019, the Charter School contributed approximately \$268,000 and \$244,000, respectively, to the Plan.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2019)

NOTE H: CONTINGENCY

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

NOTE I: CONCENTRATIONS

At June 30, 2020 and 2019, accounts receivable and grants and contracts receivables are comprised of the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
New York City Department of Education	20%	18%
Federal Government	51%	49%
Mt. Vernon Department of Education	21%	26%

During the years ended June 30, 2020 and 2019, approximately 95% and 94%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE J: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Undesignated	\$ 4,796,338	\$ 3,040,547
Invested in property and equipment	<u>364,470</u>	<u>444,538</u>
	<u>\$ 5,160,808</u>	<u>\$ 3,485,085</u>

Net assets with donor restrictions consisted of the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Scholarship fund	\$ 31,745	\$ 3,032

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2020  
(With Comparative Totals for 2019)

NOTE K: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

NOTE L: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

**BRONX CHARTER SCHOOL FOR BETTER LEARNING**

**OTHER FINANCIAL INFORMATION**

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees  
Bronx Charter School for Better Learning

We have audited the financial statements of Bronx Charter School for Better Learning as of and for the year ended June 30, 2020, and have issued our report thereon dated October 28, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter 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 audit 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 for the year ended June 30, 2020, as a whole.

*Mengel, Metzger, Barr & Co. LLP*

Rochester, New York  
October 28, 2020

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2020

	Bronx Charter School for Better Learning I	Bronx Charter School for Better Learning II	Eliminations	Total
Revenue, gains, and other support:				
Public school district				
Resident student enrollment	\$ 9,037,311	\$ 6,199,731	\$ -	\$ 15,237,042
Students with disabilities	810,799	499,769	-	1,310,568
Grants and contracts				
State and local	187,991	-	-	187,991
Federal - Title and IDEA	385,307	231,932	-	617,239
Federal - other	46,054	-	-	46,054
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>10,467,462</u>	<u>6,931,432</u>	-	<u>17,398,894</u>
Expenses:				
Program services:				
Regular education	7,482,401	4,554,827	-	12,037,228
Special education	1,667,568	1,123,257	-	2,790,825
Total program services	9,149,969	5,678,084	-	14,828,053
Management and general	548,689	351,571	-	900,260
Fundraising and special events	83,441	78,462	-	161,903
TOTAL OPERATING EXPENSES	<u>9,782,099</u>	<u>6,108,117</u>	-	<u>15,890,216</u>
SURPLUS FROM SCHOOL OPERATIONS	685,363	823,315	-	1,508,678
Support and other revenue:				
Contributions				
Foundations	64,180	7,938	-	72,118
Individuals	86,085	14,941	-	101,026
Fundraising	1,000	-	-	1,000
Interest income	21,353	-	-	21,353
Miscellaneous income	261	-	-	261
TOTAL SUPPORT AND OTHER REVENUE	<u>172,879</u>	<u>22,879</u>	-	<u>195,758</u>
CHANGE IN NET ASSETS	858,242	846,194	-	1,704,436
Net assets at beginning of year	1,422,260	2,065,857	-	3,488,117
NET ASSETS AT END OF YEAR	<u>\$ 2,280,502</u>	<u>\$ 2,912,051</u>	<u>\$ -</u>	<u>\$ 5,192,553</u>

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FUNCTIONAL EXPENSES – BRONX CHARTER SCHOOL FOR BETTER LEARNING I

YEAR ENDED JUNE 30, 2020

	Year ended June 30, 2020							
	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	4	\$ 23,080	\$ 11,541	\$ 34,621	\$ 191,577	\$ 52,775	\$ 244,352	\$ 278,973
Instructional personnel	95	4,431,074	1,039,967	5,471,041	-	-	-	5,471,041
Non-instructional personnel	4	663,606	110,192	773,798	84,383	4,879	89,262	863,060
Total personnel services costs	103	5,117,760	1,161,700	6,279,460	275,960	57,654	333,614	6,613,074
Fringe benefits and payroll taxes		1,325,827	300,893	1,626,720	71,477	14,933	86,410	1,713,130
Retirement		151,081	34,287	185,368	8,145	1,702	9,847	195,215
Legal service		-	-	-	7,748	-	7,748	7,748
Accounting / audit services		-	-	-	27,100	-	27,100	27,100
Other purchased / professional / consulting services		203,462	31,505	234,967	76,255	565	76,820	311,787
Repairs and maintenance		97,776	22,190	119,966	5,271	1,101	6,372	126,338
Insurance		51,512	11,690	63,202	2,777	580	3,357	66,559
Utilities		42,570	9,661	52,231	2,295	479	2,774	55,005
Supplies and materials		95,719	15,916	111,635	1,743	364	2,107	113,742
Non-capitalized equipment/furnishings		3,960	899	4,859	213	45	258	5,117
Staff development		32,189	7,305	39,494	1,735	363	2,098	41,592
Marketing and recruitment		2,182	295	2,477	47,879	-	47,879	50,356
Technology		36,023	8,175	44,198	1,942	406	2,348	46,546
Food service		8,804	1,998	10,802	475	99	574	11,376
Student services		110,297	14,928	125,225	-	-	-	125,225
Office expense		60,522	13,736	74,258	3,263	682	3,945	78,203
Depreciation		111,580	25,323	136,903	6,015	1,257	7,272	144,175
Other		31,137	7,067	38,204	8,396	3,211	11,607	49,811
		<u>\$ 7,482,401</u>	<u>\$ 1,667,568</u>	<u>\$ 9,149,969</u>	<u>\$ 548,689</u>	<u>\$ 83,441</u>	<u>\$ 632,130</u>	<u>\$ 9,782,099</u>

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FUNCTIONAL EXPENSES – BRONX CHARTER SCHOOL FOR BETTER LEARNING II

YEAR ENDED JUNE 30, 2020

	Year ended June 30, 2020							Total
	No. of Positions	Program Services			Supporting Services			
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	4	\$ 21,017	\$ 10,509	\$ 31,526	\$ 174,445	\$ 52,361	\$ 226,806	\$ 258,332
Instructional personnel	49	2,810,501	754,756	3,565,257	-	-	-	3,565,257
Non-instructional personnel	4	480,753	66,133	546,886	82,758	6,503	89,261	636,147
Total personnel services costs	57	3,312,271	831,398	4,143,669	257,203	58,864	316,067	4,459,736
Fringe benefits and payroll taxes		803,439	201,667	1,005,106	62,388	14,278	76,666	1,081,772
Retirement		53,894	13,528	67,422	4,185	958	5,143	72,565
Accounting / audit services		-	-	-	8,400	-	8,400	8,400
Other purchased / professional / consulting services		59,523	7,601	67,124	1,070	88	1,158	68,282
Repairs and maintenance		34,064	8,550	42,614	2,645	605	3,250	45,864
Insurance		19,611	4,923	24,534	1,523	349	1,872	26,406
Utilities		25,029	6,282	31,311	1,943	445	2,388	33,699
Supplies and materials		35,664	7,164	42,828	1,737	398	2,135	44,963
Non-capitalized equipment/furnishings		2,563	643	3,206	199	46	245	3,451
Staff development		15,441	3,876	19,317	1,199	274	1,473	20,790
Marketing and recruitment		9,480	2,003	11,483	519	119	638	12,121
Technology		10,531	-	10,531	-	-	-	10,531
Food service		6,545	1,643	8,188	508	116	624	8,812
Student services		58,612	6,830	65,442	-	-	-	65,442
Office expense		22,042	5,533	27,575	1,712	392	2,104	29,679
Depreciation		83,688	21,006	104,694	6,498	1,487	7,985	112,679
Other		2,430	610	3,040	(158)	43	(115)	2,925
		<u>\$ 4,554,827</u>	<u>\$ 1,123,257</u>	<u>\$ 5,678,084</u>	<u>\$ 351,571</u>	<u>\$ 78,462</u>	<u>\$ 430,033</u>	<u>\$ 6,108,117</u>

**BRONX CHARTER SCHOOL FOR BETTER LEARNING**

**REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

Board of Trustees  
Bronx Charter School for Better Learning

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 Bronx Charter School for Better Learning, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, 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 28, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bronx Charter School for Better Learning'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 Bronx Charter School for Better Learning's internal control. Accordingly, we do not express an opinion on the effectiveness of Bronx Charter School for Better Learning'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 Bronx Charter School for Better Learning'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 the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 28, 2020