
**SOUTH BRONX CHARTER SCHOOL
FOR INTERNATIONAL CULTURES & THE ARTS**

Financial Statements

For the years ended June 30, 2020 and 2019

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**
Financial Statements
June 30, 2020 and 2019

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Independent Auditors' Report

To the Board of Trustees of
South Bronx Charter School for International Culture & the Arts

Report on the financial statements

We have audited the accompanying financial statements of South Bronx Charter School for International Cultures & the Arts, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 South Bronx Charter School for International Cultures & the Arts as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Debt covenants

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of debt covenants calculations, shown on Page 16, 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 as a whole.

Other reporting required by government auditing standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2020 on our consideration of South Bronx Charter School for International Cultures & the Arts internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Bronx Charter School for International Cultures & the Arts internal control over financial reporting and compliance.

NChang LLP

New York, New York
October 29, 2020

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Statements of Financial Position

As of June 30,

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 7,524,816	\$ 6,192,617
Grants and other receivables	270,304	245,741
Prepaid expenses	29,484	1,256
Total current assets	<u>7,824,604</u>	<u>6,439,614</u>
Property and equipment, net - Note 4	18,389,072	18,400,355
Other assets		
Reserves - Note 5	<u>2,042,104</u>	<u>1,891,914</u>
Total assets	<u><u>\$ 28,255,780</u></u>	<u><u>\$ 26,731,883</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Bonds payable - current portion - Note 9	\$ 500,000	\$ 480,000
Accounts payable and accrued expenses	239,328	165,897
Accrued payroll and benefits - Note 7	477,486	482,692
Accrued interest payable	205,095	212,723
Refundable advances	14,903	9,915
Total current liabilities	<u>1,436,812</u>	<u>1,351,227</u>
Long-term liabilities		
Bonds payable (less current portion; net of unamortized deferred financing costs of \$531,480 in 2020 and \$554,672 in 2019) - Note 9	19,008,520	19,485,328
SBA loan - paycheck protection program - Note 8	<u>697,569</u>	<u>-</u>
Total long-term liabilities	<u>19,706,089</u>	<u>19,485,328</u>
Total liabilities	<u>21,142,901</u>	<u>20,836,555</u>
Net assets without donor restrictions		
Undesignated	7,035,711	5,819,043
Reserve - contingency	<u>77,168</u>	<u>76,285</u>
Total net assets without donor restrictions	<u>7,112,879</u>	<u>5,895,328</u>
Total liabilities and net assets without restrictions	<u><u>\$ 28,255,780</u></u>	<u><u>\$ 26,731,883</u></u>

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

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Statements of Activities

For the years ended June 30,

	<u>2020</u>	<u>2019</u>
<u>Operating revenue and other support</u>		
State and local per pupil operating revenue		
General education	\$ 7,438,062	\$ 6,709,288
Grants, contracts and other support		
State and local grants	123,882	243,395
Federal grants	278,011	427,693
Food service	306,826	359,573
Interest income	107,470	104,443
Contributions	1,015	848
Total grants, contracts and other support	<u>817,204</u>	<u>1,135,952</u>
Total operating revenue and other support	<u>8,255,266</u>	<u>7,845,240</u>
<u>Expenses</u>		
Program expenses		
Regular education	5,096,112	5,320,716
Special education	415,921	398,722
Food service	511,626	625,990
Total program expenses	<u>6,023,659</u>	<u>6,345,428</u>
Supporting services		
Management and general	<u>1,014,056</u>	<u>981,452</u>
Total program and supporting services expenses	<u>7,037,715</u>	<u>7,326,880</u>
Change in net assets	1,217,551	518,360
Net assets without donor restrictions - beginning of year	<u>5,895,328</u>	<u>5,376,968</u>
Net assets without donor restrictions - end of year	<u>\$ 7,112,879</u>	<u>\$ 5,895,328</u>

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

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Statement of Functional Expenses

For the year ended June 30, 2020

	Program expenses				Supporting services	Total program expenses and supporting services
	Regular education	Special education	Food service	Total programs	Management & general	
Salaries						
Instructional personnel	\$ 1,562,296	\$ 117,592	\$ -	\$ 1,679,888	\$ -	\$ 1,679,888
Administrative staff personnel	518,425	28,407	-	546,832	163,339	710,171
Non-instructional personnel	189,568	15,165	203,588	408,321	174,402	582,723
Total salaries	<u>2,270,289</u>	<u>161,164</u>	<u>203,588</u>	<u>2,635,041</u>	<u>337,741</u>	<u>2,972,782</u>
Operating expenses						
Payroll taxes and fringe benefits	445,882	31,653	39,984	517,519	66,332	583,851
Retirement	59,754	4,242	5,358	69,354	8,889	78,243
Contracted services - financial and benefit administrative	-	-	-	-	198,538	198,538
Marketing/recruitment	4,066	289	365	4,720	605	5,325
Insurance	24,528	1,741	2,200	28,469	74,632	103,101
Legal and professional	49,483	3,513	4,437	57,433	7,361	64,794
Equipment leasing	49,405	3,507	4,430	57,342	7,350	64,692
Building and land rent and lease	15,902	1,129	1,426	18,457	2,366	20,823
Repairs and maintenance	14,694	1,043	1,318	17,055	2,186	19,241
Building security and maintenance	136,443	9,686	12,236	158,365	20,298	178,663
Office expense	-	-	-	-	25,614	25,614
Staff development	63,030	4,474	5,652	73,156	9,377	82,533
Student services	76,297	5,416	6,842	88,555	11,350	99,905
Supplies and instructional materials	67,671	4,804	6,068	78,543	10,067	88,610
Food costs	-	-	130,294	130,294	-	130,294
Transportation service	112,839	8,493	-	121,332	-	121,332
Telephone and internet services	79,757	5,662	7,152	92,571	11,865	104,436
Utilities	150,519	10,685	13,498	174,702	22,392	197,094
Interest expense	786,385	109,497	4,977	900,859	94,565	995,424
Other expenses	68,422	4,857	6,136	79,415	10,182	89,597
Depreciation and amortization	620,746	44,066	55,665	720,477	92,346	812,823
Total operating expenses	<u>2,825,823</u>	<u>254,757</u>	<u>308,038</u>	<u>3,388,618</u>	<u>676,315</u>	<u>4,064,933</u>
Total expenses	<u>\$ 5,096,112</u>	<u>\$ 415,921</u>	<u>\$ 511,626</u>	<u>\$ 6,023,659</u>	<u>\$ 1,014,056</u>	<u>\$ 7,037,715</u>

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

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Statement of Functional Expenses

For the year ended June 30, 2019

	Program expenses			Total programs	Supporting services	Total program expenses and supporting services
	Regular education	Special education	Food service		Management & general	
Salaries						
Instructional personnel	\$ 1,703,695	\$ 108,555	\$ -	\$ 1,812,250	\$ -	\$1,812,250
Administrative staff personnel	513,311	28,127	-	541,438	161,728	703,166
Non-instructional personnel	192,254	15,380	235,321	442,955	176,874	619,829
Total salaries	<u>2,409,260</u>	<u>152,062</u>	<u>235,321</u>	<u>2,796,643</u>	<u>338,602</u>	<u>3,135,245</u>
Operating expenses						
Payroll taxes and fringe benefits	437,625	27,621	42,744	507,990	61,505	569,495
Retirement	69,246	4,371	6,764	80,381	9,732	90,113
Contracted services - financial and benefit administrative	-	-	-	-	191,700	191,700
Marketing/recruitment	8,185	517	799	9,501	1,150	10,651
Insurance	31,708	2,001	3,097	36,806	71,246	108,052
Legal and professional	44,902	2,834	4,386	52,122	6,311	58,433
Equipment leasing	40,641	2,565	3,970	47,176	5,711	52,887
Building and land rent and lease	13,992	883	1,367	16,242	1,966	18,208
Repairs and maintenance	23,325	1,472	2,278	27,075	3,279	30,354
Building security and maintenance	117,025	7,386	11,430	135,841	16,448	152,289
Office expense	-	-	-	-	13,408	13,408
Staff development	62,233	3,928	6,079	72,240	8,746	80,986
Student services	78,947	4,983	7,711	91,641	11,095	102,736
Supplies and instructional materials	73,973	4,669	7,225	85,867	10,396	96,263
Food costs	-	-	194,759	194,759	-	194,759
Transportation service	156,305	11,765	-	168,070	-	168,070
Telephone and internet services	64,153	4,049	6,266	74,468	9,016	83,484
Utilities	183,361	11,573	17,910	212,844	25,770	238,614
Interest expense	801,326	111,577	5,072	917,975	96,362	1,014,337
Other expenses	81,621	5,152	7,972	94,745	11,467	106,212
Depreciation and amortization	622,888	39,314	60,840	723,042	87,542	810,584
Total operating expenses	<u>2,911,456</u>	<u>246,660</u>	<u>390,669</u>	<u>3,548,785</u>	<u>642,850</u>	<u>4,191,635</u>
Total expenses	<u>\$ 5,320,716</u>	<u>\$ 398,722</u>	<u>\$ 625,990</u>	<u>\$ 6,345,428</u>	<u>\$ 981,452</u>	<u>\$ 7,326,880</u>

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

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Statements of Cash Flows

For the years ended June 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 1,217,551	\$ 518,360
Adjustments to reconcile change in net assets to to net cash provided by operating activities		
Depreciation	789,631	787,392
Amortization	23,192	23,192
Changes in operating assets and liabilities		
Grants and other receivables	(24,563)	59,017
Prepaid expenses	(28,228)	(1,256)
Accounts payable and accrued expenses	73,431	(15,648)
Accrued payroll and benefits	(5,206)	169,303
Accrued interest payable	(7,628)	(6,731)
Refundable advances	4,988	(32,793)
Net cash provided by operating activities	<u>2,043,168</u>	<u>1,500,836</u>
Cash flows from investing activities		
Reserves	(150,190)	(43,155)
Capitalized assets	<u>(778,348)</u>	<u>(27,654)</u>
Net cash used in investing activities	<u>(928,538)</u>	<u>(70,809)</u>
Cash flows from financing activities		
Bonds payable	(480,000)	(465,000)
SBA loan - paycheck protection program	<u>697,569</u>	<u>-</u>
Net cash provided by/(used in) financing activities	<u>217,569</u>	<u>(465,000)</u>
Net increase in cash and cash equivalents	1,332,199	965,027
Cash and cash equivalents - beginning of year	<u>6,192,617</u>	<u>5,227,590</u>
Cash and cash equivalents - end of year	<u>\$ 7,524,816</u>	<u>\$ 6,192,617</u>
Supplemental disclosure		
Cash paid for interest	<u>\$ 1,003,052</u>	<u>\$ 1,021,068</u>

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

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Notes to the Financial Statements

June 30, 2020 and 2019

Note 1 Organization

South Bronx Charter School for International Cultures & the Arts (the “School”), a 501(c) (3) tax-exempt organization, is a public charter school located in the Bronx, New York. The School opened in 2005 and through fiscal year 2018 operated classes from kindergarten to fifth grade. In fiscal year 2019, the School added the sixth grade. In fiscal year 2020, the School added the seventh grade. In fiscal year 2021, the School will add the eighth grade. The School’s current charters renewal expires on June 30, 2023. The School provides scientifically research-proven standards-based educational programs, with an emphasis on international cultures, the arts, and mastery of a second language.

Friends of South Bronx Charter School for International Culture & the Arts, Inc. (the “Friends of SBCSICA”), is a non-profit organization, founded in October 2018 under Section 402 of the Not-for-Profit Corporate Law of the State of New York. Friends of SBCSICA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The board of trustees of the School has control over the board of trustees of Friends of SBCSICA. As of June 30, 2020, Friends of SBCSICA has no financial activity, and as a result, the two entities did not consolidate as of and for the year ended June 30, 2020.

Note 2 Summary of significant accounting policies

Basis of presentation and use of estimates. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents. The School considers all short-term, highly liquid investments, such as money market funds, to be cash equivalents.

Grants and other receivables. Grants and other receivables are recorded at net realizable value and do not bear interest. The allowance for doubtful accounts is the School’s best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. Grants and other receivable amounted to \$270,304 and \$245,741 as of June 30, 2020 and 2019, respectively. There was no allowance recorded at June 30, 2020 and 2019, as all amounts are deemed collectible.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Notes to the Financial Statements

June 30, 2020 and 2019

Note 2 Summary of significant accounting policies – (continued)

Financial statements presentation. The financial statements of the School have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the School to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School.

Net assets with donor restrictions. Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Revenue recognition. The School recognizes revenue from the state and local governments based on the School's charter status and the number of students enrolled. Such revenue is recorded when services are performed, in accordance with the charter agreement. The New York State Department of Education mandates the rate per pupil. Such revenue is recognized ratably over the related school year in which it is earned.

Grant and contracts revenue. Grants and contracts revenue are recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance or any unspent funds for which qualifying expenditures have not been incurred are recorded as refundable advances. Any unspent amounts might be returned to the granting agency or the granting agency can approve that those amounts be applied to a future grant period.

Reclassifications. Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financials. These reclassifications have no effect on the changes in net assets.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Notes to the Financial Statements

June 30, 2020 and 2019

Note 2 Summary of significant accounting policies – (continued)

Property and equipment. Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. The School capitalizes additions and significant improvements in excess of \$1,000. Depreciation is computed using the straight-line method over estimated useful lives of the respective asset. The estimated depreciable lives of the different classes of property are as follows:

<u>Asset</u>	<u>Useful Life</u>
Building	39 years
Furniture and fixtures	7 years
Computer, software and office equipment	3 years

Reserve contingency and escrow reserves. Reserve contingency and escrow reserves relate to reserve and escrow accounts that are required to be maintained by the School in accordance with the bond indenture and charter requirements.

Financing charge. Financing charges are amortized over the terms of the bonds and are reported net of accumulated amortization as of June 30, 2020 and 2019 in bond payable – net, on the accompanying statements of financial position.

Refundable advances. Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying statements of financial position.

Donated goods and services. The School receives donated services from unpaid volunteers. No amounts have been recognized in the accompanying statements of activities, since the services do not meet the specialized skill criteria for recognition under U.S. GAAP.

Income taxes. The School is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as a publicly supported organization as described in IRC sections 509(A)(1) and 170(B)(1)(A)(II).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2020, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the accompanying financial statements.

The School is no longer subject to income tax examination by federal, state or local tax authorities for years before June 30, 2017.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Notes to the Financial Statements

June 30, 2020 and 2019

Note 2 Summary of significant accounting policies – (continued)

Functional expenses. The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services, and supporting services. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Salaries	Time and effort
Payroll taxes and fringe benefits	Time and effort
Contracted Services - financial and administrative	Direct allocation
Legal and professional	Time and effort
Insurance	Square footage
Repairs and maintenance	Time and effort

Recently adopted accounting pronouncements. On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for Profit Entities*. The update addresses the complexity and understandability of net asset classification, efficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash*, which requires restricted cash to be included within cash and cash equivalents when explaining the total change in cash for the period within the statement of cash flows. The standard requires retrospective application and represents a change in accounting principal. The adoption of ASU 2016-18 did not have an impact on the School’s financial statements.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional or unconditional. The School implemented the provisions of ASU 2018-08 applicable to contributions received in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Notes to the Financial Statements

June 30, 2020 and 2019

Note 3 Liquidity and availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of June 30, are:

Financial assets:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 7,524,816	\$ 6,192,617
Grants and other receivables	270,304	245,741
Amount available for general expenditures within one year	<u>\$ 7,795,120</u>	<u>\$ 6,438,358</u>

Note 4 Property and equipment

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

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 923,000	\$ 893,091
Computer equipment and software	1,787,460	1,723,593
Office equipment	121,761	115,999
Land	1,823,000	1,823,000
Building	18,057,399	18,057,399
Construction in Progress	678,810	-
Total property and equipment	<u>23,391,430</u>	<u>22,613,082</u>
Less, accumulated depreciation	<u>(5,002,358)</u>	<u>(4,212,727)</u>
Property and equipment, net	<u>\$ 18,389,072</u>	<u>\$ 18,400,355</u>

During fiscal year 2020, the School paid an earnest money deposit of \$500,000 for the future purchase of land and incurred various consulting costs to design and plan for a new building to expand its programs. Total expenditures in connection with this project were included in construction in progress at June 30, 2020. The earnest money deposit is fully refundable if the purchase is not consummated by December 31, 2020.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Notes to the Financial Statements

June 30, 2020 and 2019

Note 5 Reserves

Reserves as of June 30, are as follows:

	<u>2020</u>	<u>2019</u>
Interest reserve	\$ 397,031	\$ 267,593
Debt service reserve	1,567,905	1,545,644
Reserve - construction	-	2,392
Reserve - contingency	77,168	76,285
	<u>\$ 2,042,104</u>	<u>\$ 1,891,914</u>

Note 6 Retirement plan

The School offers a 401(k) plan (the “Plan”) for substantially all of its qualifying employees. Employees are eligible for the Plan immediately upon employment. Participation in the Plan is voluntary. Employees can make pretax contributions up to a maximum of 100% of their annual compensation, up to IRS limits for each calendar year. The School matches an employee’s contribution up to 4% of the employee’s annual compensation. For the years ended June 30, 2020 and 2019, the School’s matching contribution was \$78,243 and \$90,113, respectively. Plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the Plan’s participants and beneficiaries.

Note 7 Accrued payroll and benefits

Accrued payroll and benefits consist of amounts earned by the staff during the school year but paid over the summer months. As of June 30, 2020 and 2019, accrued payroll amounted to \$477,486 and \$482,692, respectively.

Note 8 SBA loan - paycheck protection program

On May 4, 2020, the School obtained a loan of \$697,569 (the “PPP loan”) from a commercial bank pursuant to the Paycheck Protection Program (“PPP”) administered by the Small Business Administration (the “SBA”) pursuant to the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The PPP Loan and accrued interest will be forgivable after twenty-four weeks as long as the School uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The PPP loan matures on May 4, 2022 and bears an interest rate of 1% per annum, with interest accruing on the unpaid principal balance. No payments of principal or interest are due during the six-month period beginning on the date of the PPP loan (the “Deferral Period”). The PPP loan balance as of June 30, 2020 was \$697,569.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Notes to the Financial Statements

June 30, 2020 and 2019

Note 9 Bonds payable

On June 11, 2013, Build NYC Resource Corporation provided construction and permanent financing of \$22,270,000 through the issuance of \$21,650,000 in Tax-Exempt Revenue Bonds (the “Series 2013A Bonds”), bearing interest at 2.75% to 5% per annum, with principal due at varying amounts annually through maturity on April 15, 2043, and \$620,000 in Taxable Revenue Bonds bearing interest at 6% per annum which were repaid in varying amounts through maturity on April 15, 2017. The proceeds of the bonds were used to construct a five-story building in the Bronx, New York, to be used as classroom, cafeteria, kitchen, art, music room and administrative space.

Future minimum principal payments for the next five years and in the aggregate thereafter are as follow:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 500,000
2022	520,000
2023	540,000
2024	560,000
2025	590,000
Thereafter	17,330,000
Unamortized financing charge	(531,480)
	<u>\$ 19,508,520</u>
	<u>Amount</u>
Bonds payable - current	\$ 500,000
Bonds payable – long term	19,008,520
Total bonds payable	<u>\$ 19,508,520</u>

As of June 30, 2020, the School was in compliance with all debt covenants pursuant to the bond agreement.

Note 10 Concentration of credit risk

The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The management of the School believes it is not exposed to significant credit risk on cash and cash equivalents.

The School received approximately 90% and 86% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York City Department of Education during the years ended June 30, 2020 and 2019, respectively. Additionally, the School’s grants receivable consists of approximately 100% and 70% from the New York State Department of Education.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Notes to the Financial Statements

June 30, 2020 and 2019

Note 11 Contingency

The School participates in a number of federal and state programs. These programs require that the School comply with certain laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government grants and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

Note 12 Potential impact of the pandemic

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. As a result of the pandemic, School officials prepared a reopening plan for the 2020-2021 school year. Under the plan, approximately one-third of the enrolled students will begin the school year in a classroom and about two-thirds of the students will continue in remote learning. The ultimate effect of COVID-19 on the School and its future operations cannot presently be determined.

Note 13 Subsequent events

Management has evaluated subsequent events through October 29, 2020, the date that the financial statements were available to be issued. Based on this evaluation, management has determined that no subsequent events have occurred which require disclosure in the financial statements.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Schedule of Debt Covenants

For the year ended June 30, 2020

Pursuant to the loan agreement, the School is required to comply with various debt covenants. The minimum requirement and actual results as of and for the year ended June 30, 2020 for each of the debt covenants are as follows:

	<u>Minimum Requirement</u>	<u>Actual</u>
Debt service coverage ratio	1.10	2.05
Days cash on hand	30	441
Net asset balance	\$ 703,772	\$ 7,112,879

The debt service coverage ratio is calculated as follows:

Increase in net assets	\$ 1,217,551	
Add back: Interest expense	995,424	
Depreciation and amortization	812,823	
Net revenues available for debt service	<u>\$ 3,025,798</u>	
Debt service payments		
Interest expense	\$ 995,424	
Principal	480,000	
Total current debt service	<u>\$ 1,475,424</u>	
Net revenues available for debt service	\$ 3,025,798	
Total current debt service	\$ 1,475,424	= 2.05

The days cash on hand is calculated as follows:

Total expenses	\$ 7,037,715	
Less: Depreciation and amortization	(812,823)	
Net expenses	<u>6,224,892</u>	
Number of days	365	
Cash used per day	<u>\$ 17,054</u>	
Cash and cash equivalents at year end	\$ 7,524,816	
Cash used per day	\$ 17,054	= 441

The minimum net asset balance is calculated as follows:

Beginning net asset balance	\$ 5,895,328
Net surplus/(deficit)	<u>1,217,551</u>
Ending net asset balance	\$ 7,112,879
Estimated required fund balance	
Maximum annual debt service	\$ 1,475,424
Gross revenue	<u>8,255,266</u>
Percentage	18%
Requirement percentage	10%
Estimated required fund balance	\$ 703,772
Amount over (needed) to meet fund balance	\$ 6,409,108

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 of
South Bronx Charter School for
International Cultures & the Arts

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 South Bronx Charter School for International Cultures & the Arts, 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 29, 2020.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered South Bronx Charter School for International Cultures & the Arts' 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 South Bronx Charter School for International Cultures & the Arts' internal control. Accordingly, we do not express an opinion on the effectiveness of South Bronx Charter School for International Cultures & the Arts' internal control.

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

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

Compliance and other matters

As part of obtaining reasonable assurance about whether South Bronx Charter School for International Cultures & the Arts' 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 audits, 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "NChing LLP". The signature is written in a cursive, slightly slanted style.

New York, New York
October 29, 2020

New York State Education Department

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

2019-20 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.

South Bronx Charter School for International Cultures and the Arts

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	8,320,273	41,787	422,705	-	-	8,784,765	
Total Expenses	6,255,643	44,933	687,695	-	1,273,267	8,261,538	
Net Income	2,064,630	(3,146)	(264,990)	-	(1,273,267)	523,227	
Actual Student Enrollment	487	-	-	-	-	-	
Total Paid Student Enrollment	487	-	-	-	-	487	
	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						
NYC Chancellor's Office	\$16,123.00	7,852,388	-	-	-	7,852,388	
School District 2 (Enter Name)		-	-	-	-	-	
School District 3 (Enter Name)		-	-	-	-	-	
School District 4 (Enter Name)		-	-	-	-	-	
School District 5 (Enter Name)		-	-	-	-	-	
	7,852,388	-	-	-	-	7,852,388	
Special Education Revenue	-	-	-	-	-	-	
Grants							
Stimulus	-	-	-	-	-	-	
Other	-	-	-	-	-	-	
Other State Revenue	-	-	-	-	-	-	
TOTAL REVENUE FROM STATE SOURCES	7,852,388	-	-	-	-	7,852,388	
REVENUE FROM FEDERAL FUNDING							
IDEA Special Needs	-	2,034	-	-	-	2,034	
Title I	288,644	-	-	-	-	288,644	
Title Funding - Other	82,241	-	-	-	-	82,241	Title IIA \$34,066, Title III \$24,676, Title IV \$23,499
School Food Service (Free Lunch)	-	-	416,705	-	-	416,705	
Grants							
Charter School Program (CSP) Planning & Implementation	-	-	-	-	-	-	
Other	-	-	-	-	-	-	
Other Federal Revenue	-	-	-	-	-	-	
TOTAL REVENUE FROM FEDERAL SOURCES	370,885	2,034	416,705	-	-	789,624	
LOCAL and OTHER REVENUE							
Contributions and Donations, Fundraising	-	-	-	-	-	-	
Erate Reimbursement	7,000	-	-	-	-	7,000	
Interest Income, Earnings on Investments,	90,000	-	-	-	-	90,000	
NYC-DYCD (Department of Youth and Community Developmt.)	-	-	-	-	-	-	
Food Service (Income from meals)	-	-	6,000	-	-	6,000	Staff Payments
Text Book	-	39,753	-	-	-	39,753	
Other Local Revenue	-	-	-	-	-	-	
TOTAL REVENUE FROM LOCAL and OTHER SOURCES	97,000	39,753	6,000	-	-	142,753	
TOTAL REVENUE	8,320,273	41,787	422,705	-	-	8,784,765	
EXPENSES							
ADMINISTRATIVE STAFF PERSONNEL COSTS							
	No. of Positions						
Executive Management	-	-	-	-	-	-	
Instructional Management	2.00	365,457	-	-	-	365,457	(1) Principal, (1) Asst Principal
Deans, Directors & Coordinators	1.00	68,000	-	-	-	68,000	(1) Parent Coordinator
CFO / Director of Finance	-	-	-	-	-	-	
Operation / Business Manager	3.00	-	-	-	280,463	280,463	(1) Director of HR, (1) Director of Ops, (1) Director of IT
Administrative Staff	0.50	-	-	-	30,600	30,600	(.5) Translation/ILanguage PT
TOTAL ADMINISTRATIVE STAFF	7	433,457	-	-	311,063	744,520	
INSTRUCTIONAL PERSONNEL COSTS							
Teachers - Regular	24.00	1,607,956	-	-	-	1,607,956	(22) Teachers, (2) Title I Teachers
Teachers - SPED	-	-	-	-	-	-	
Substitute Teachers	-	-	-	-	-	-	
Teaching Assistants	1.00	34,000	-	-	-	34,000	(1) Teacher Asst
Specialty Teachers	5.00	347,534	-	-	-	347,534	(5) Specialists

South Bronx Charter School for International Cultures and the Arts

PROJECTED BUDGET FOR 2020-2021

July 1, 2020 to June 30, 2021

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.

PROJECTED BUDGET FOR 2020-2021							Assumptions
July 1, 2020 to June 30, 2021							DESCRIPTION OF ASSUMPTIONS - Please note assumptions when applicable
	REGULAR EDUCATION	SPECIAL EDUCATION	OTHER	FUNDRAISING	MANAGEMENT & GENERAL	TOTAL	
Total Revenue	8,320,273	41,787	422,705	-	-	8,784,765	
Total Expenses	6,255,643	44,933	687,695	-	1,273,267	8,261,538	
Net Income	2,064,630	(3,146)	(264,990)	-	(1,273,267)	523,227	
Actual Student Enrollment	487	-	-	-	-	-	
Total Paid Student Enrollment	487	-	-	-	-	487	
PROGRAM SERVICES							
	REGULAR EDUCATION	SPECIAL EDUCATION	OTHER	FUNDRAISING	MANAGEMENT & GENERAL	TOTAL	
Aides	3.00	107,500	-	-	-	107,500	(3) School Aides
Therapists & Counselors	-	-	-	-	-	-	
Other	-	176,000	-	-	-	176,000	Summer School, After School, Bonuses
TOTAL INSTRUCTIONAL	33	2,272,990	-	-	-	2,272,990	
NON-INSTRUCTIONAL PERSONNEL COSTS							
Nurse	-	-	-	-	-	-	
Librarian	-	-	-	-	-	-	
Custodian	2.00	-	-	-	167,148	167,148	(1) Building Mngr., (1) Custodial Aid
Security	-	-	-	-	-	-	
Other	5.50	42,000	222,752	-	-	264,752	((1) L braryMedia Specialist, 1) Executive Cheff, (1) Asst Chef, (2.5) Kitchen Staff
TOTAL NON-INSTRUCTIONAL	8	42,000	222,752	-	167,148	431,900	
SUBTOTAL PERSONNEL SERVICE COSTS	47	2,748,447	222,752	-	478,211	3,449,410	
PAYROLL TAXES AND BENEFITS							
Payroll Taxes	-	233,618	18,934	-	40,648	293,200	
Fringe / Employee Benefits	-	383,091	31,048	-	66,655	480,794	Health/Dental, Disability/Lfie
Retirement / Pension	-	78,995	6,402	-	13,745	99,142	
TOTAL PAYROLL TAXES AND BENEFITS	-	695,704	56,384	-	121,048	873,136	
TOTAL PERSONNEL SERVICE COSTS	-	3,444,151	279,136	-	599,259	4,322,546	
CONTRACTED SERVICES							
Accounting / Audit	-	-	-	-	26,000	26,000	Audit
Legal	-	-	-	-	30,000	30,000	Legal
Management Company Fee	-	-	-	-	-	-	
Nurse Services	-	-	-	-	-	-	
Food Service / School Lunch	-	-	233,222	-	-	233,222	Food Service
Payroll Services	-	-	-	-	-	-	
Special Ed Services	-	5,000	-	-	-	5,000	Contracted SpEd Services
Titlement Services (i.e. Title I)	8,820	180	-	-	-	9,000	Titlement
Other Purchased / Professional / Consulting	41,444	-	3,328	-	210,603	255,375	Computer Maint, Financial Mgmt, HR Benefit, Admin, Other
TOTAL CONTRACTED SERVICES	50,264	5,180	236,550	-	266,603	558,597	
SCHOOL OPERATIONS							
Board Expenses	-	-	-	-	12,000	12,000	Board Expenses
Classroom / Teaching Supplies & Materials	24,000	-	-	-	-	24,000	Teacher Discretionary, Classroom Supplies
Special Ed Supplies & Materials	-	39,753	-	-	-	39,753	NYSTI Text & Materials
Textbooks / Workbooks	80,000	-	-	-	-	80,000	Text & Materials
Supplies & Materials other	-	-	-	-	-	-	
Equipment / Furniture	60,572	-	4,864	-	10,564	76,000	Equipment, Copier
Telephone	48,617	-	3,904	-	8,479	61,000	Phone & Data Services
Technology	25,504	-	2,048	-	4,448	32,000	Software, Phone & Data Service
Student Testing & Assessment	10,000	-	-	-	-	10,000	Student Testing
Field Trips	30,000	-	-	-	-	30,000	Field Trips
Transportation (student)	204,000	-	-	-	-	204,000	Transportation (Student)
Student Services - other	108,000	-	-	-	-	108,000	Students Activities
Office Expense	20,722	-	1,664	-	3,614	26,000	Office Supplies, Postage, Printing/Copying
Staff Development	133,455	-	-	-	21,545	155,000	PD, Conferences, Tuition Reimbursement
Staff Recruitment	8,000	-	-	-	-	8,000	Teacher Recruitment
Student Recruitment / Marketing	20,000	-	-	-	-	20,000	Advertising, Student Recruitment
School Meals / Lunch	7,173	-	576	-	1,251	9,000	Other Food Payments
Travel (Staff)	1,722	-	-	-	278	2,000	Transportation (StaffO
Fundraising	-	-	-	-	-	-	
Other	18,331	-	1,472	-	3,197	23,000	Other G&A, Subscriptions, Other Direct Ed
TOTAL SCHOOL OPERATIONS	800,096	39,753	14,528	-	65,376	919,753	

South Bronx Charter School for International Cultures and the Arts

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	8,320,273	41,787	422,705	-	-	8,784,765	
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Actual Student Enrollment	487	-	-	-	-	-	
Total Paid Student Enrollment	487	-	-	-	-	487	
PROGRAM SERVICES							SUPPORT SERVICES
	REGULAR EDUCATION	SPECIAL EDUCATION	OTHER	FUNDRAISING	MANAGEMENT & GENERAL	TOTAL	
FACILITY OPERATION & MAINTENANCE							
Insurance	65,354	-	5,248	-	11,398	82,000	Insurance
Janitorial	31,880	-	2,560	-	5,560	40,000	Operational Supplies
Building and Land Rent / Lease	802,141	-	64,413	-	139,897	1,006,450	Rent, Interest Expenses - Bonds
Repairs & Maintenance	15,940	-	1,280	-	2,780	20,000	Renovations and Repairs
Equipment / Furniture	19,128	-	1,536	-	3,336	24,000	Equipment
Security	159,400	-	12,800	-	27,800	200,000	Maintenance and Security
Utilities	211,205	-	16,960	-	36,835	265,000	Utilities and Other O&M
TOTAL FACILITY OPERATION & MAINTENANCE	1,305,048	-	104,797	-	227,606	1,637,450	
DEPRECIATION & AMORTIZATION	656,084	-	52,684	-	114,424	823,192	
DISSOLUTION ESCROW & RESERVES / CONTIGENCY	-	-	-	-	-	-	
TOTAL EXPENSES	6,255,643	44,933	687,695	-	1,273,267	8,261,538	
NET INCOME	2,064,630	(3,146)	(264,990)	-	(1,273,267)	523,227	
ENROLLMENT - *School Districts Are Linked To Above Entries*	REGULAR EDUCATION	SPECIAL EDUCATION	TOTAL ENROLLED				
NYC Chancellor's Office	487	-	487				
School District 2 (Enter Name)			-				
School District 3 (Enter Name)			-				
School District 4 (Enter Name)			-				
School District 5 (Enter Name)			-				
TOTAL ENROLLMENT	487	-	487				
REVENUE PER PUPIL	17,085	-	868				
EXPENSES PER PUPIL	12,845	-	1,412				