BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2020
(With Comparative Totals for 2019)

MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Brilla College Preparatory Charter Schools

Report on the Financial Statements

We have audited the accompanying financial statements of Brilla College Preparatory Charter Schools, 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.

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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 Brilla College Preparatory Charter Schools 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 Brilla College Preparatory Charter Schools' June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2019. In our opinion, the summarized comparative information presented herein as of June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter with Respect to Change of Accouting Methods

As discussed in Note A to the financial statements, in 2020, Brilla College Preparatory Charter Schools 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, Barr & Co. LLP

Rochester, New York
October 28, 2020

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BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020
(With Comparative Totals for 2019)

ASSETS	June 30, 2020	June 30, 2019
CURRENT ASSETS		
Cash and cash equivalents	$ 6,051,857	$ 4,948,769
Grants and other receivables	1,226,695	439,083
Prepaid expenses and other current assets	633,521	309,079
TOTAL CURRENT ASSETS	7,912,073	5,696,931
PROPERTY AND EQUIPMENT, net	1,794,220	1,025,637
OTHER ASSETS		
Security deposits	414,178	414,178
Cash in escrow	150,384	150,259
	564,562	564,437
TOTAL ASSETS	$ 10,270,855	$ 7,287,005
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 794,563	$ 85,868
Accounts payable and accrued expenses	927,204	530,135
Accrued payroll and benefits	685,433	509,088
Deferred revenue	-	31,705
TOTAL CURRENT LIABILITIES	2,407,200	1,156,796
OTHER LIABILITIES		
Deferred lease liability	437,114	76,601
Long-term debt, net of unamortized debt issuance costs of $9,433 June 30, 2019	1,000,678	121,660
	1,437,792	198,261
TOTAL LIABILITIES	3,844,992	1,355,057
NET ASSETS - without donor restrictions	6,425,863	5,931,948
TOTAL LIABILITIES AND NET ASSETS	$ 10,270,855	$ 7,287,005

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

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

JUNE 30, 2020
(With Comparative Totals for 2019)

	Year ended June 30,	
	2020	2019
Revenue, gains and other support:		
Public school district:		
Resident student enrollment	$ 15,018,034	$ 11,429,615
Students with disabilities	1,437,348	1,150,906
Grants and contracts:		
State and local	72,492	58,440
Federal - Title and IDEA	681,317	655,199
Federal - other	887,996	437,734
NYC DOE Rental Assistance	3,627,540	2,523,191
TOTAL REVENUE, GAINS AND OTHER SUPPORT	21,724,727	16,255,085
Expenses:		
Program:		
Regular education	12,235,117	9,677,905
Special education	4,119,876	2,806,188
Total program services	16,354,993	12,484,093
Management and general	5,118,490	3,503,458
TOTAL OPERATING EXPENSES	21,473,483	15,987,551
SURPLUS FROM SCHOOL OPERATIONS	251,244	267,534
Support and other revenue:		
Contributions		
Foundations	54,935	52,000
Individuals	56,005	27,674
In-kind	10,800	-
Fundraising	11,404	7,433
Interest income	43,178	55,691
Miscellaneous income	66,349	33,135
TOTAL SUPPORT AND OTHER REVENUE	242,671	175,933
CHANGE IN NET ASSETS	493,915	443,467
Net assets at beginning of year	5,931,948	5,488,481
NET ASSETS AT END OF YEAR	$ 6,425,863	$ 5,931,948

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

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES

JUNE 30, 2020
(With Comparative Totals for 2019)

	Year ended June 30, 2020						
		Program Services			Supporting Services		
	No. of Positions	Regular Education	Special Education	Sub-total	Management and general	Total	Year Ended June 30, 2019
Personnel services costs:							
Administrative staff personnel	35	$ 1,676,643	$ 434,915	$ 2,111,558	$ 1,098,734	$ 3,210,292	$ 2,325,562
Instructional personnel	88	4,302,490	1,829,329	6,131,819	-	6,131,819	4,552,838
Total salaries and wages	123	5,979,133	2,264,244	8,243,377	1,098,734	9,342,111	6,878,400
Fringe benefits and payroll taxes		1,071,178	403,588	1,474,766	163,565	1,638,331	1,201,497
Retirement benefits		151,047	62,306	213,353	24,502	237,855	152,683
Legal services		-	-	-	51,211	51,211	32,633
Accounting/Audit services		-	-	-	38,750	38,750	33,000
Management company fees		-	-	-	1,860,295	1,860,295	1,412,013
Other Purchased/Professional/Consulting Services		817,355	265,948	1,083,303	238,281	1,321,584	1,092,721
Building rent		2,719,289	706,552	3,425,841	903,227	4,329,068	2,807,801
Repairs and maintenance		16,367	3,474	19,841	5,357	25,198	3,655
Insurance expense		61,640	16,098	77,738	20,482	98,220	78,852
Supplies/Materials		383,156	100,187	483,343	18,260	501,603	418,292
Equipment/Furnishings		16,187	4,395	20,582	6,563	27,145	27,343
Leased equipment		40,771	10,909	51,680	13,575	65,255	50,702
Staff development		133,637	57,187	190,824	76,081	266,905	220,973
Marketing/Recruitment		126,937	32,091	159,028	88,876	247,904	155,924
Technology		122,202	31,897	154,099	41,116	195,215	165,891
Food services		672	194	866	-	866	2,352
Student services		229,202	58,723	287,925	5,209	293,134	389,351
Office expense		13,324	3,730	17,054	76,464	93,518	101,656
Travel and conferences		20,533	5,504	26,037	8,154	34,191	50,227
Depreciation and amortization		295,161	78,770	373,931	100,797	474,728	643,605
Other		37,326	14,079	51,405	278,991	330,396	67,980
		$ 12,235,117	$ 4,119,876	$ 16,354,993	$ 5,118,490	$ 21,473,483	$ 15,987,551

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

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

JUNE 30, 2020
(With Comparative Totals for 2019)

	Year ended June 30, 2020	Year ended June 30, 2019
CASH FLOWS - OPERATING ACTIVITIES		
Change in net assets	$ 493,915	$ 443,467
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	474,728	643,605
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(787,612)	59,576
Prepaid expenses and other current assets	(324,442)	(146,671)
Accounts payable and accrued expenses	3,776	(12,144)
Accrued payroll and benefits	176,345	117,838
Deferred revenue	(31,705)	31,705
Deferred lease liability	360,513	76,601
NET CASH PROVIDED FROM OPERATING ACTIVITIES	365,518	1,213,977
CASH FLOWS - INVESTING ACTIVITIES		
Purchases of property and equipment	(850,018)	(482,588)
NET CASH USED FOR INVESTING ACTIVITIES	(850,018)	(482,588)
CASH FLOWS - FINANCING ACTIVITIES		
Borrowings on long-term debt	1,795,241	-
Repayments on long-term debt	(207,528)	(80,576)
NET CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES	1,587,713	(80,576)
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	1,103,213	650,813
Cash and cash equivalents and restricted cash at beginning of year	5,099,028	4,448,215
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 6,202,241	$ 5,099,028
NON-CASH OPERATING AND INVESTING ACTIVITIES		
Purchases of property and equipment included in accounts payable	$ 393,293	$ -

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

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Brilla College Preparatory Charter Schools (the "Charter School") is an educational corporation that operates as a charter school in Bronx, New York.

In August 2016, the Charter School's Board of Trustees signed a charter agreement with the Board of Regents of the State University of New York. The charter agreement was for a school named Brilla College Preparatory Charter School at Highbridge ("Highbridge"). The charter agreement was for five years. In May 2017, the Board of Regents of the State University of New York approved an order of consolidation and extension of the provisional charter which consolidated Brilla College Preparatory Charter School into Highbridge and amended the surviving education corporation name to Brilla College Preparatory Charter Schools, effective July 1, 2017. In conjunction with this merger, effective July 1, 2017, the original Brilla College Preparatory Charter School was dissolved. The Charter currently operates Brilla College Preparatory Charter School and Brilla College Preparatory Charter School Veritas, that charter expires in July 2022. In October 2018, the SUNY Board of Trustees' Charter School Committee approved the initial five year charters for Brilla Caritas Charter School and Brilla Pax Charter School which opened in August of 2020 and expire June 2025.

The Charter School was established to provide its students in grades K-8 with traditional academic skills to develop their cognitive, social, emotional, and physical excellence.

Classification of net assets

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

These classes of net assets are defined as follows:

Net Assets Without Donor Restrictions

The net assets over which the Board of Trustees has discretionary control to use in carrying on the Charter School's operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current net assets without donor restrictions for specific purposes, projects or investment.

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 no net assets with donor restrictions at June 30, 2020 or 2019.

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

Revenue and support 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 records substantially all revenues over time as follows:

Public school district revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns state and local per pupil 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.

Rental assistance

Facilities rental assistance funding is provided by the New York City Dept of Education (NYCDOE) to qualifying charter schools located in the five boroughs of NYC. In order to receive rental assistance funding, a charter school must have commenced instruction or added grade levels in the 2014-15 school year or thereafter, and go through a space request process with the NYCDOE. If NYCDOE is not able to provide adequate space, the charter school can become eligible for rental assistance. Rental assistance is calculated as the lesser of 30% of the per-pupil tuition rate for NYC times the number of students enrolled, or actual total rental costs. As rental assistance is based on the number of students enrolled, revenue is recognized throughout the year as educational programming is provided to students.

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

	June 30,		
	2020	2019	2018
Grants and other receivables	$ 906,532	$ 196,467	$ 225,364

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

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.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

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 and contracts 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. The Charter School received cost-reimbursement grants of approximately $224,000 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred. There were no cost-reimbursement grants that had not been recognized at June 30, 2019 because qualifying expenditures had not yet been incurred.

Cash and cash equivalents

Cash and certificates of deposit 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 six months of less when purchased to be cash equivalents. In the normal course of business, the cash 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.

Cash and restricted cash balances for the years ended June 30, 2020 and 2019 consisted of the following:

	June 30,	
	2020	2019
Cash and cash equivalents	$6,051,857	$4,948,769
Cash in escrow	150,384	150,259
	$6,202,241	$5,099,028

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

Cash in escrow
The Charter School maintained cash in an escrow account in accordance with the terms of its Charter agreement, to pay off expenses in the event of dissolution of the Charter School.

Grants and other 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 and 2019.

Property and equipment
Property and equipment are recorded at cost. Depreciation and amortization are 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 seven years. Leasehold improvements are amortized over the term of the lease.

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 transportation services, food supplies and services, speech and occupational therapy, paraprofessionals, nursing services, counseling services and metro cards for student transportation from the local district.

In-kind contributions
Gifts and donations other than cash are recorded at fair market value at the date of contribution. There were in-kind contributions of $10,800 received for year ended June 30, 2020. There were no in-kind contributions received for the year ended June 30, 2019.

Tax exempt status
The Charter School is a tax-exempt organization 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 has filed for and received income tax exemptions in the various jurisdictions where it is required to do so.

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.

Marketing costs
The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated $247,900 and $155,900 for the years ended June 30, 2020 and 2019, respectively.

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

Deferred lease liability

The Charter School leases its facilities. The leases contain significant pre-determined fixed escalations of the base rent. In accordance with GAAP, the Charter School recognizes the related rent expense on a straight-line basis and records the difference between the recognized rental expense and the amounts paid under the lease as a deferred lease liability.

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

Security deposits

Security deposits are made up of payments to third parties in connection with facility lease agreements.

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.

Comparatives for the period ended June 30, 2019

The financial statements include certain prior year summarized comparative information in total but not by 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 Charter School's financial statements for the period ended June 30, 2019, from which the summarized information was derived.

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.

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

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.

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.

Reclassifications

Certain prior year amounts have been reclassified to conform with the present year presentation.

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.

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.

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 at June 30, 2020 and 2019:

	June 30,	
	2020	2019
Cash and cash equivalents	$ 6,051,857	$ 4,948,769
Grants and other receivables	1,226,695	439,083
Total financial assets available to management for general expenditures within one year	$ 7,278,552	$ 5,387,852

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30, 2020	June 30, 2019
Furniture and fixtures	$ 873,219	$ 453,464
Computer equipment and software	1,174,378	740,802
Office equipment	441,309	371,633
Leasehold improvements	2,254,424	2,121,302
Construction in progress	185,499	-
	4,928,829	3,687,201
Less accumulated depreciation and amortization	3,134,609	2,661,564
	$ 1,794,220	$ 1,025,637

No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Total depreciation and amortization expense was approximately $474,700 and $643,600 for the years ended June 30, 2020 and 2019, respectively.

NOTE D: COMMITMENTS

The Charter School has an Academic and Business Services Agreement with Seton Education Partners, Inc. (Seton). The agreement began on July 1, 2017 and renews annually on June 30. Seton will be responsible and accountable to the Board for the administration, operations, education, and performance of the Charter School in accordance with the Charter and the Charter School's budget.

The Charter School will pay Seton a percentage of the total enrollment of students multiplied by the approved per pupil operating expenses, payable six times a year. The fee ranges from ten percent for the first three years of a school and then twelve percent thereafter. Effective July 1, 2020, the fee increased to fifteen percent. The fee for the years ended June 30, 2020 and 2019 was approximately $1,860,000 and $1,412,000, respectively. There were no amounts due to Seton at June 30, 2020. There was approximately $5,800 due to Seton at June 30, 2019. There was also approximately $135,700 and $21,500 due from Seton, at June 30, 2020 and 2019, respectively.

NOTE E: SCHOOL FACILITIES

The Charter School currently subleases all of its facilities from Seton, totaling approximately 88,580 square feet of classrooms and office facilities along with 1,900 square feet of play-yard at June 30, 2020.

The Charter School subleases a property at East 144th Street under a non-cancelable lease agreement expiring in June 2023. The current monthly payment is $127,600 and will increase each year of the lease term by the agreed upon amount as described in the lease.

In November 2016, the Charter School signed a sublease for the middle school located on Courtlandt Avenue and made an additional security deposit of $100,000. The lease was to begin in August 2017 and go through June 2036 with two optional 5 year renewal options. In July 2018, the Charter School revised this agreement. The lease began on July 1, 2018. The current monthly payment is $95,600 and will increase each year of the lease term by the agreed upon amount as described in the lease.

The Charter School also signed a sublease agreement for a property located on College Avenue which commences in July 2019 and expired in June 2020 for $107,500 per month.

The Charter School signed a rental agreement for property located on East 156th Street in which substantial improvements must be made by the lessor before the commencement date and made a security deposit of $300,000. The lease commenced September 2020 and expires June 2051. The current monthly payment is approximately $110,000. The payment will increase each year of the lease by the agreed upon amount as described in the lease.

In January 2020, the Charter School signed an agreement to guarantee debt related to property at 2336 Andrews Avenue North, where the Charter School intends to use it for the Caritas and Pax Elementary Schools. The initial amount of the construction loan was $11,136,000; terms will be set once construction is completed during the year ending June 30, 2021.

Rent expense was approximately $4,329,000 and $2,807,800 for the years ended June 30, 2020 and 2019, respectively.

The future minimum payments on these agreements for base rent are as follows:

Year ending June 30,	Amount
2021	$ 4,073,200
2022	4,180,900
2023	4,291,500
2024	2,714,500
2025	2,788,900
Thereafter	71,402,500
	$ 89,451,500

NOTE F: OPERATING LEASES

The Charter School leases office equipment under non-cancelable lease agreements expiring at various dates through October 2022. The approximate future minimum payments on these agreements are as follows:

Year ending June 30,	Amount
2021	$ 44,800
2022	30,700
2023	6,000
	$ 81,500

NOTE G: LONG-TERM DEBT

The Charter School had a note payable with an unrelated party. Interest only payments were made through December 1, 2015 when principal repayments begin. Monthly payments were $8,044 including interest at 6% for the term of the loan, which was 6 years, through November 2021. As of June 30, 2019, the note had an outstanding principal balance of $216,961. The note was repaid in full in the year ended June 30, 2020.

In response to the COVID-19 outbreak, in May 2020, the Charter School applied for and was approved by a bank for a loan of $1,795,241 through the Paycheck Protection Program established by the Small Business Administration. The loan has a maturity of two years and an interest rate of 1%. The loan has the potential for forgiveness provided certain requirements are met by the Charter School. The loan was funded in May 2020. Due to the potential of forgiveness, repayment terms have not been finalized as of the report date.

Estimates annual maturities of long-term debt are as follows:

Year ending June 30,	Amount
2021	$ 794,563
2022	1,000,678
	$ 1,795,241

NOTE H: CONCENTRATIONS

At June 30, 2020 and 2019, approximately 14% and 5%, respectively, of grants and other receivables were due from New York State agencies.

At June 30, 2020 and 2019, approximately 71% and 90%, respectively, of grants and other receivables were due from Federal agencies.

During the years ended June 30, 2020 and 2019, approximately 76% and 77% of total operating revenue and support came from per-pupil funding provided by New York State, respectively. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

During the years ended June 30, 2020 and 2019, approximately 17% and 15% of total operating revenue and support came from rental assistance provided by New York City Department of Education, respectively.

NOTE I: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering all regular employees. The Charter School may make a discretionary contribution to the plan. In 2019 the board approved the Charter School to make up to a 5% match of employee contributions. The Charter School contributed approximately $238,000 and $152,700 to the Plan for the years ended June 30, 2020 and 2019, respectively.

NOTE J: CONTINGENCIES

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 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: NET ASSETS

Net assets without donor restrictions are as follows:

	June 30, 2020	June 30, 2019
Property and equipment, net of debt	$ 1,794,220	$ 818,109
Undesignated	4,631,643	5,113,839
	$ 6,425,863	$ 5,931,948

NOTE M: 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.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

OTHER FINANCIAL INFORMATION

MMB
MENGEL METZGER BARR & CO. LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Brilla College Preparatory Charter Schools

We have audited the financial statements of Brilla College Preparatory Charter Schools for the year ended June 30, 2020, and have issued our reports 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

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BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2020

	Brilla College Preparatory						
	Elementary School	Middle School	Total	Brilla Veritas	Brilla Caritas	Brilla Pax	Total
Revenue, gains and other support:							
Public school district							
Resident student enrollment	$ 7,087,655	$ 3,839,251	$ 10,926,906	$ 4,091,128	$ -	$ -	$ 15,018,034
Students with disabilities	703,170	331,608	1,034,778	402,570	-	-	1,437,348
Grants and contracts:							
State and local	34,025	17,924	51,949	20,543	-	-	72,492
Federal - Title and IDEA	360,188	181,353	541,541	139,776	-	-	681,317
Federal - other	78,505	23,591	102,096	70,322	568,306	147,272	887,996
NYC DOE Rental Assistance	1,274,487	1,140,194	2,414,681	1,212,859			3,627,540
TOTAL REVENUE, GAINS AND OTHER SUPPORT	9,538,030	5,533,921	15,071,951	5,937,198	568,306	147,272	21,724,727
Expenses:							
Program:							
Regular education	5,038,670	3,461,354	8,500,024	3,735,093	-	-	12,235,117
Special education	1,942,881	1,222,377	3,165,258	954,618			4,119,876
TOTAL PROGRAM EXPENSES	6,981,551	4,683,731	11,665,282	4,689,711	-	-	16,354,993
Management and general	2,178,138	1,353,769	3,531,907	1,155,556	205,792	225,235	5,118,490
TOTAL OPERATING EXPENSES	9,159,689	6,037,500	15,197,189	5,845,267	205,792	225,235	21,473,483
SURPLUS (DEFICIT) FROM SCHOOL OPERATIONS	378,341	(503,579)	(125,238)	91,931	362,514	(77,963)	251,244
Support and other revenue:							
Contributions							
Foundations	25,722	9,244	34,966	19,969	-	-	54,935
Individuals	26,289	13,850	40,139	15,866	-	-	56,005
In-kind	5,069	2,671	7,740	3,060	-	-	10,800
Fundraising	4,954	1,600	6,554	4,850	-	-	11,404
Interest income	20,197	10,574	30,771	12,407	-	-	43,178
Miscellaneous income	32,972	15,323	48,295	18,054			66,349
TOTAL SUPPORT AND OTHER REVENUE	115,203	53,262	168,465	74,206			242,671
CHANGE IN NET ASSETS	493,544	(450,317)	43,227	166,137	362,514	(77,963)	493,915
Net assets at beginning of year	4,542,054	321,196	4,863,250	1,068,698			5,931,948
NET ASSETS (DEFICIENCY) AT END OF YEAR	$ 5,035,598	$ (129,121)	$ 4,906,477	$ 1,234,835	$ 362,514	$ (77,963)	$ 6,425,863

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER

YEAR ENDED JUNE 30, 2020

		Brilla College Preparatory					
		Program Services			Supporting Services		
	No. of Positions	Regular Education	Special Education	Sub-total	Management and general	Sub-total	Total
Personnel Services Costs:							
Administrative staff personnel	25	$ 1,146,633	$ 329,853	$ 1,476,486	$ 686,035	$ 686,035	$ 2,162,521
Instructional personnel	62	2,983,779	1,400,506	4,384,285			4,384,285
Total salaries and wages	87	4,130,412	1,730,359	5,860,771	686,035	686,035	6,546,806
Fringe benefits and payroll taxes		724,174	303,378	1,027,552	120,280	120,280	1,147,832
Retirement benefits		143,574	60,148	203,722	23,847	23,847	227,569
Legal services		-	-	-	7,044	7,044	7,044
Accounting/Audit services		-	-	-	28,834	28,834	28,834
Management company fees		-	-	-	1,416,478	1,416,478	1,416,478
Other Purchased/Professional/Consulting Services		571,257	209,928	781,185	162,727	162,727	943,912
Building rent		1,872,845	538,764	2,411,609	627,459	627,459	3,039,068
Repairs and maintenance		2,562	737	3,299	859	859	4,158
Insurance expense		43,382	12,479	55,861	14,534	14,534	70,395
Supplies/Materials		270,957	77,946	348,903	-	-	348,903
Equipment/Furnishings		13,256	3,814	17,070	4,442	4,442	21,512
Leased equipment		31,610	9,093	40,703	10,590	10,590	51,293
Staff development		102,181	44,843	147,024	34,233	34,233	181,257
Marketing/Recruitment		77,456	22,282	99,738	17,068	17,068	116,806
Technology		85,789	24,679	110,468	28,742	28,742	139,210
Food services		672	194	866	-	-	866
Student services		148,576	42,741	191,317	-	-	191,317
Office expense		12,166	3,500	15,666	54,412	54,412	70,078
Travel and conferences		16,031	4,612	20,643	5,371	5,371	26,014
Depreciation and amortization		226,521	65,164	291,685	75,892	75,892	367,577
Other		26,603	10,597	37,200	213,060	213,060	250,260
		$ 8,500,024	$ 3,165,258	$ 11,665,282	$ 3,531,907	$ 3,531,907	$ 15,197,189

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER

YEAR ENDED JUNE 30, 2020

		Brilla Veritas					
		Program Services			Supporting Services		
	No. of Positions	Regular Education	Special Education	Sub-total	Management and general	Sub-total	Total
Personnel Services Costs:							
Administrative staff personnel	8	$ 530,010	$ 105,062	$ 635,072	$ 162,154	$ 162,154	$ 797,226
Instructional personnel	26	1,318,711	428,823	1,747,534			1,747,534
Total salaries and wages	34	1,848,721	533,885	2,382,606	162,154	162,154	2,544,760
Fringe benefits and payroll taxes		347,004	100,210	447,214	30,436	30,436	477,650
Retirement benefits		7,473	2,158	9,631	655	655	10,286
Legal services		-	-	-	4,543	4,543	4,543
Accounting/Audit services		-	-	-	9,916	9,916	9,916
Management company fees		-	-	-	443,817	443,817	443,817
Other Purchased/Professional/Consulting Services		246,098	56,020	302,118	70,306	70,306	372,424
Building rent		846,444	167,788	1,014,232	275,768	275,768	1,290,000
Repairs and maintenance		13,805	2,737	16,542	4,498	4,498	21,040
Insurance expense		18,258	3,619	21,877	5,948	5,948	27,825
Supplies/Materials		112,199	22,241	134,440	-	-	134,440
Equipment/Furnishings		2,931	581	3,512	955	955	4,467
Leased equipment		9,161	1,816	10,977	2,985	2,985	13,962
Staff development		31,456	12,344	43,800	10,248	10,248	54,048
Marketing/Recruitment		49,481	9,809	59,290	12,329	12,329	71,619
Technology		36,413	7,218	43,631	11,863	11,863	55,494
Student services		80,626	15,982	96,608	-	-	96,608
Office expense		1,158	230	1,388	21,218	21,218	22,606
Travel and conferences		4,502	892	5,394	1,467	1,467	6,861
Depreciation and amortization		68,640	13,606	82,246	22,363	22,363	104,609
Other		10,723	3,482	14,205	64,087	64,087	78,292
		$ 3,735,093	$ 954,618	$ 4,689,711	$ 1,155,556	$ 1,155,556	$ 5,845,267

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER

YEAR ENDED JUNE 30, 2020

	Brilla Caritas						
		Program Services			Supporting Services		
	No. of Positions	Regular Education	Special Education	Sub-total	Management and general	Sub-total	Total
Personnel Services Costs:							
Administrative staff personnel	1	-			129,102	129,102	129,102
Total salaries and wages	1	-	-	-	129,102	129,102	129,102
Fringe benefits and payroll taxes		-	-	-	9,587	9,587	9,587
Legal services		-	-	-	17,787	17,787	17,787
Other Purchased/Professional/Consulting Services		-	-	-	1,950	1,950	1,950
Supplies/Materials		-	-	-	9,341	9,341	9,341
Equipment/Furnishings		-	-	-	583	583	583
Staff development		-	-	-	608	608	608
Marketing/Recruitment		-	-	-	33,000	33,000	33,000
Technology		-	-	-	230	230	230
Student services		-	-	-	1,012	1,012	1,012
Office expense		-	-	-	330	330	330
Travel and conferences		-	-	-	125	125	125
Depreciation and amortization		-	-	-	1,287	1,287	1,287
Other		-			850	850	850
		$ -	$ -	$ -	$ 205,792	$ 205,792	$ 205,792

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BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER

YEAR ENDED JUNE 30, 2020

		Brilla Pax					
		Program Services			Supporting Services		
	No. of Positions	Regular Education	Special Education	Sub-total	Management and general	Sub-total	Total
Personnel Services Costs:							
Administrative staff personnel	1	$ -	$	$	$ 121,443	$ 121,443	$ 121,443
Total salaries and wages	1	-	-	-	121,443	121,443	121,443
Fringe benefits and payroll taxes		-	-	-	3,262	3,262	3,262
Legal services		-	-	-	21,837	21,837	21,837
Other Purchased/Professional/Consulting Services		-	-	-	3,298	3,298	3,298
Supplies/Materials		-	-	-	8,919	8,919	8,919
Equipment/Furnishings		-	-	-	583	583	583
Staff development		-	-	-	30,992	30,992	30,992
Marketing/Recruitment		-	-	-	26,479	26,479	26,479
Technology		-	-	-	281	281	281
Student services		-	-	-	4,197	4,197	4,197
Office expense		-	-	-	504	504	504
Travel and conferences		-	-	-	1,191	1,191	1,191
Depreciation and amortization		-	-	-	1,255	1,255	1,255
Other		-			994	994	994
		$ -	$ -	$ -	$ 225,235	$ 225,235	$ 225,235

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