

BRONX CHARTER SCHOOL FOR EXCELLENCE

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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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Bronx Charter School for Excellence

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bronx Charter School for Excellence as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Bronx Charter School for Excellence's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2020 on our consideration of Bronx Charter School for Excellence's 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bronx Charter School for Excellence's internal control over financial reporting and compliance.

Emphasis of Matters with Respect to Change of Accounting Methods

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

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 20, 2020

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

(With Comparative Totals for 2019)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 17,322,873	\$ 12,314,675
Grants and contracts receivable	762,754	943,191
Prepaid expenses	413,517	250,099
Due from related parties	887,116	298,803
TOTAL CURRENT ASSETS	19,386,260	13,806,768
<u>PROPERTY AND EQUIPMENT, net</u>	31,550,369	32,041,208
<u>OTHER ASSETS</u>		
Cash in escrow	300,000	225,000
Security deposits	68,504	9,185
Investments - restricted	2,827,565	3,029,107
	3,196,069	3,263,292
TOTAL ASSETS	\$ 54,132,698	\$ 49,111,268
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current portion of bonds payable	\$ 525,000	\$ 505,000
Accounts payable	124,245	496,747
Accrued expenses	346,627	575,482
Accrued payroll and benefits	2,131,125	1,094,985
Deferred revenue	49,782	79,185
Management fees due to charter management organization	318,720	731,852
TOTAL CURRENT LIABILITIES	3,495,499	3,483,251
<u>OTHER LIABILITIES</u>		
Bonds payable, net of unamortized bond issuance costs of \$911,535 and \$994,074, respectively	21,981,481	22,515,958
Reserve for payment of debt service	1,540,000	1,540,000
Deferred lease liability	1,018,372	697,217
	24,539,853	24,753,175
TOTAL LIABILITIES	28,035,352	28,236,426
<u>NET ASSETS, without donor restrictions</u>	26,097,346	20,874,842
TOTAL LIABILITIES AND NET ASSETS	\$ 54,132,698	\$ 49,111,268

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

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

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Revenue, gains and other support:		
Public school district		
Resident student enrollment	\$ 27,315,182	\$ 21,809,994
Students with disabilities	1,377,588	1,114,456
Grants and contracts		
State and local	138,051	257,100
Federal - Title and IDEA	1,127,911	1,129,719
Federal - other	382,948	348,050
Food Service/Child Nutrition Program	266,461	467,487
NYC DOE Rental Assistance	<u>1,821,587</u>	<u>1,345,517</u>
	TOTAL REVENUE, GAINS AND OTHER SUPPORT	32,429,728 26,472,323
Expenses:		
Program:		
Regular education	21,308,912	17,511,569
Special education	<u>4,233,336</u>	<u>2,728,494</u>
	TOTAL PROGRAM SERVICES	25,542,248 20,240,063
Management and general	1,813,864	1,615,421
Fundraising and special events	<u>580</u>	<u>25,120</u>
	TOTAL OPERATING EXPENSES	<u>27,356,692</u> <u>21,880,604</u>
	SURPLUS FROM SCHOOL OPERATIONS	5,073,036 4,591,719
Support and other revenue:		
Contributions		
Foundations	10,000	-
Individuals	2,750	-
Contributed services	30,323	-
Investment income	94,025	37,962
Miscellaneous income	<u>12,370</u>	<u>2,355</u>
	TOTAL SUPPORT AND OTHER REVENUE	<u>149,468</u> <u>40,317</u>
	CHANGE IN NET ASSETS	5,222,504 4,632,036
Net assets at beginning of year	<u>20,874,842</u>	<u>16,242,806</u>
	NET ASSETS AT END OF YEAR	<u>\$ 26,097,346</u> <u>\$ 20,874,842</u>

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES

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

	Year ended June 30,								
	2020						2019		
	No. of Positions	Program Services			Supporting Services			Total	Total
Regular Education		Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total			
Personnel Services Costs:									
Administrative staff personnel	25	\$ 1,210,068	\$ 197,735	\$ 1,407,803	\$ 472,643	\$ -	\$ 472,643	\$ 1,880,446	\$ 1,297,673
Instructional personnel	118	5,855,024	1,232,028	7,087,052	-	-	-	7,087,052	5,053,544
Non-instructional personnel	38	2,104,638	473,660	2,578,298	199,873	-	199,873	2,778,171	2,334,321
Total salaries and wages	181	9,169,730	1,903,423	11,073,153	672,516	-	672,516	11,745,669	8,685,538
Payroll taxes and employee benefits		2,568,243	532,446	3,100,689	190,700	-	190,700	3,291,389	2,183,799
Professional development		49,464	10,713	60,177	3,266	-	3,266	63,443	47,443
Legal fees		-	-	-	59,966	-	59,966	59,966	16,387
Audit/accounting fees		-	-	-	43,216	-	43,216	43,216	31,530
Professional services		916,667	182,774	1,099,441	77,423	-	77,423	1,176,864	1,776,154
Student and staff recruitment		19,101	4,051	23,152	848	-	848	24,000	37,154
Curriculum and classroom supplies		763,578	81,317	844,895	-	-	-	844,895	663,399
Office expenses		301,384	62,392	363,776	21,727	-	21,727	385,503	261,696
Food service		222,774	26,854	249,628	-	-	-	249,628	440,047
Student services		17,996	2,243	20,239	-	-	-	20,239	160,684
Insurance		26,206	5,391	31,597	109,136	-	109,136	140,733	156,216
Building and Land Rent / Lease		2,042,738	415,677	2,458,415	177,020	-	177,020	2,635,435	1,404,428
Utilities		165,688	33,951	199,639	12,001	-	12,001	211,640	325,595
Non-capitalized equipment and furnishings		82,437	11,706	94,143	10,026	580	10,606	104,749	117,212
Repairs and maintenance		216,762	45,628	262,390	14,626	-	14,626	277,016	338,577
Depreciation and amortization		952,036	119,005	1,071,041	119,005	-	119,005	1,190,046	1,117,445
Interest expense		896,425	197,992	1,094,417	55,881	-	55,881	1,150,298	1,172,737
Management fees		2,891,213	596,371	3,487,584	210,544	-	210,544	3,698,128	2,897,481
Other		6,470	1,402	7,872	35,963	-	35,963	43,835	47,082
		\$ 21,308,912	\$ 4,233,336	\$ 25,542,248	\$ 1,813,864	\$ 580	\$ 1,814,444	\$ 27,356,692	\$ 21,880,604

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF CASH FLOWS

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

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 5,222,504	\$ 4,632,036
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	1,190,046	1,117,445
Bond premium amortization	(92,016)	(93,519)
Amortization of bond issuance costs included in interest expense	82,539	86,881
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	180,437	482,691
Prepaid expense	(163,418)	(43,051)
Due to/from related parties	(588,313)	(16,466)
Security deposits	(59,319)	-
Accounts payable	(391,819)	(184,335)
Accrued expenses	(228,855)	169,060
Accrued payroll and benefits	1,036,140	312,541
Deferred revenue	(29,403)	218,638
Deferred lease incentive	-	(2,427)
Management fees due to charter management organization	(413,132)	164,284
Deferred lease liability	321,155	144,639
	<u>6,066,546</u>	<u>6,988,417</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES		
	6,066,546	6,988,417
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(679,890)	(379,513)
Proceeds from sales of investments	201,656	
Purchases of investments	(114)	(47,116)
	<u>(478,348)</u>	<u>(426,629)</u>
NET CASH USED FOR INVESTING ACTIVITIES		
	(478,348)	(426,629)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayments of bonds payable	(505,000)	(485,000)
	<u>(505,000)</u>	<u>(485,000)</u>
NET CASH USED FOR FINANCING ACTIVITIES		
	(505,000)	(485,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	5,083,198	6,076,788
Cash and cash equivalents and restricted cash at beginning of year	<u>12,539,675</u>	<u>6,462,887</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 17,622,873</u>	<u>\$ 12,539,675</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF CASH FLOWS, Cont'd

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

	<u>Year ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	<u>\$ 1,072,809</u>	<u>\$ 1,090,706</u>
<u>NON-CASH OPERATING AND INVESTING ACTIVITIES</u>		
Purchases of property and equipment included in accounts payable	<u>\$ 19,317</u>	<u>\$ 20,000</u>
Reduction of property and equipment via release of accrued construction retainage	<u>\$ -</u>	<u>\$ 86,147</u>
Reconciliation of cash and cash equivalents and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 17,322,873	\$ 12,314,675
Cash in escrow	<u>300,000</u>	<u>225,000</u>
	<u>\$ 17,622,873</u>	<u>\$ 12,539,675</u>

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(With Comparative Totals for 2019)

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

The Charter School

Bronx Charter School for Excellence (the “Charter School”) is an educational corporation operating as a charter school in the borough of the Bronx, New York. On April 29, 2003, the Board of Regents of the University of the State of New York granted Bronx Charter School for Excellence (“Bronx Excellence 1”) a provisional charter valid for a term of five years and renewable upon expiration. In March 2009, January 2014 and March 2019, Bronx Excellence 1 was awarded a full-term, five-year charter renewal through July 31, 2024. Bronx Excellence 1 was established to prepare young people from New York City to compete for admission to, and succeed in, top public, private and parochial schools by cultivating their intellectual, artistic, social, emotional and ethical development. Bronx Excellence 1 offers a challenging and rigorous academic curriculum which, at the earliest of grades, has an eye towards college preparation for grades first through eighth.

On November 2, 2015, the Board of Regents of the University of the State of New York amended the charter agreement permitting an additional school to be opened by the Charter School. During the 2016 fiscal year, the Charter School added Bronx Charter School for Excellence 2 (“Bronx Excellence 2”) under its expanded charter. Bronx Excellence 2 has the authority to operate through July 31, 2021. Bronx Excellence 2 was established to provide its students with a solid foundation for academic success, through achievement that exceeds citywide averages and meets or exceeds New York State Standards and national norms in all curriculum areas tested, especially in mathematics and language arts.

On March 24, 2017, the Board of Regents of the University of the State of New York amended the charter agreement permitting an additional 3 schools to be opened by the Charter School, Bronx Charter School for Excellence 3, 4, and 5. These three charter schools have authority to operate through July 31, 2022. These charter schools were established to provide its students with a solid foundation for academic success, through achievement that exceeds citywide averages and meets or exceeds New York State Standards and national norms in all curriculum areas tested, especially in mathematics and language arts.

The accompanying financial statements include the accounts of Bronx Excellence 1, Bronx Excellence 2, Bronx Excellence 3, Bronx Excellence 4 and Bronx Excellence 5 (collectively referred to as the “Charter School”). All intercompany balances and transactions have been eliminated in the accompanying financial statements.

Classification of net assets

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had no net assets with donor restrictions at June 30, 2020 or 2019.

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

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:

	<u>June 30,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Accounts receivable (gross of allowance for doubtful accounts)	\$ 337,533	\$ 12,362	\$ 411,739

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.

All donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the 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 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 and amounted to \$49,782 and \$79,184 at June 30, 2020 and 2019, respectively. The Charter School received cost-reimbursement grants of approximately \$57,600 and \$43,103 that have not been recognized at June 30, 2020 and 2019, respectively, because qualifying expenditures have not yet been incurred.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

Cash and cash equivalents

Cash and cash equivalent 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 instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents consist of money market accounts. 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 in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow was \$300,000 and \$225,000 at June 30, 2020 and 2019, respectively.

Grants and contracts receivable

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

Property and equipment

Property and equipment are recorded at cost. The Charter School capitalizes all purchases of fixed assets in excess of \$5,000. 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 4 to 39 years. Prior to the bond issuance (Note H), leasehold improvements at Bronx Excellence 1 were amortized over the shorter of the estimated useful life of the asset or the remaining term of the related lease. These improvements are continuing to be amortized over the originally calculated life. All other leasehold improvements are being amortized over the shorter of the estimated useful life of the asset or the remaining term of the related lease.

Bond issuance costs

Bond issuance costs, which consist of deferred financing charges, are stated at cost and are amortized over the term of the bonds which vary from 5 to 30 years through various dates up to April 2043. The Charter School shows bond issuance costs as a deduction from the carrying amount of bonds payable, net on the accompanying statement of financial position.

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.

Deferred lease liability

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

Investments - restricted

Restricted investments consist of cash equivalents held for debt service and capitalized interest.

Investment income includes interest, recorded on an accrual basis, dividends, net realized gains and losses, and net unrealized gains and losses, resulting from the change in prevailing market value of investments. Purchase and sales of investments are recorded on a trade-date basis.

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 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.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. In addition, the Charter School received donated transportation services, metro cards, funding for free and reduced-cost breakfasts, lunches and snacks, special education services and physical, occupational, and speech therapy that was also provided for the students from the local district. The Charter School is not able to determine a value for these services.

The Charter School received contributed legal services which were valued at \$25,130 for the year ended June 30, 2020. These amounts are included in contributed goods and services in the accompanying statement of activities and changes in net assets. There were no contributed legal services received for the year ended June 30, 2019.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution.

The Charter School received contributed property and equipment which was valued at \$5,193 for the year ended June 30, 2020. These amounts are included contributed goods and services in the accompanying statement of activities and changes in net assets. There were no contributed property and equipment received for the year ended June 30, 2019.

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$24,000 and \$37,200 for the years ended June 30, 2020 and 2019, respectively.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

Comparatives for year ended June 30, 2019

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

Adoption of new accounting standards

Revenue from contracts with customers

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

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

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

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.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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

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.

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.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current 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 20, 2020, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, except as disclosed in Note D.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

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 surplus 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 year 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,	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 17,322,873	\$ 12,314,675
Grants and contracts receivable	762,754	943,191
Due from related parties	<u>887,116</u>	<u>298,803</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 18,972,743</u>	<u>\$ 13,556,669</u>

NOTE C: RELATED PARTY TRANSACTIONS

Excellence Community Schools, Inc. ("Excellence"), a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Charter School. The Charter School entered into an educational services agreement with Excellence effective July 1, 2016 through June 30, 2021 whereby Excellence will provide the Charter School with services related to education and instruction, business operations, human resources and employment. In turn, Excellence shall be paid a fee equal to 13% of all public revenues received by the Charter School during the fiscal year. The Charter School incurred fees of approximately \$3,698,000 and \$2,897,000 for the years ended June 30, 2020 and 2019, respectively.

At June 30, 2020 and 2019, approximately \$319,000 and \$732,000, respectively, of fees were accrued in management fees due to charter management organization on the accompanying statement of financial position.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE C: RELATED PARTY TRANSACTIONS, Cont'd

Approximately \$708,000 and \$293,000 is due to the Charter School from Excellence for expenses that are to be reimbursed by Excellence after June 30, 2020 and 2019, respectively. Approximately \$118,000 of grant funding is due from Excellence to the Charter School at June 30, 2020. These amounts are included in due from related parties on the accompanying statement of financial position at June 30, 2020 and 2019. In addition, the Charter School has formalized sub-lease agreements for four facilities with Excellence. See Note D for more details.

Stamford Charter School for Excellence (“Stamford”) is an educational corporation that operates as a charter school in Stamford, Connecticut. Approximately \$61,000 is due to the Charter School from Stamford for expenses that are to be reimbursed by Stamford after June 30, 2020. Approximately \$14,000 is due to the Charter School from Stamford for expenses that are to be reimbursed by the Charter School subsequent to June 30, 2019. These amounts are included in due from related parties on the accompanying statement of financial position at June 30, 2020 and 2019.

NOTE D: SCHOOL FACILITIES

The Charter School leases the facility for the Bronx Excellence 2 location. Effective July 1, 2016, the Charter School assigned the lease to Excellence. The sub-lease agreement between the Charter School and Excellence was finalized February 7, 2018 under the same terms of the original lease agreement. The lease term is through June 30, 2021. The Charter School’s base rent for the year ended June 30, 2020 was approximately \$29,500 per month. The lease will have escalating payments throughout the term.

In September 2017, the Charter School commenced the process to enter into a sub-lease agreement with Excellence for the facility for the Bronx Excellence 3 location. The sub-lease agreement was finalized as of February 7, 2018. The term of the lease began August 9, 2017 and goes through July 31, 2032. For the years ended June 30, 2020 and 2019, Bronx Excellence 4 was co-located with Bronx Excellence 3 at this location. The Charter School’s base rent for the year ended June 30, 2020 was approximately \$87,400 per month. The lease will have escalating payments throughout the term.

In July 2019, the Charter School entered into a sub-lease agreement with a single member LLC related to Excellence for the facility for the Bronx Excellence 5 location. The term of the lease began July 1, 2019 and goes through June 30, 2029. The Charter School’s base rent for the year ended June 30, 2020 was approximately \$83,700 per month. The lease will have escalating payments throughout the term.

In August 2020, the Charter School entered into a sub-lease agreement with a single member LLC related to Excellence for the facility for the Bronx Excellence 4 location. The term of the lease begins July 1, 2020 and goes through June 30, 2040. The base rent is approximately \$83,000 per month. The lease will have escalating payments throughout the term.

Total rental expense was approximately \$2,635,000 and \$1,404,000 for the years ended June 30, 2020 and 2019, respectively.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE D: SCHOOL FACILITIES, Cont'd

Future expected minimum payments of these leases are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 3,560,000
2022	3,308,000
2023	3,422,000
2024	3,506,000
2025	3,592,000
Thereafter	<u>35,326,000</u>
	<u>\$ 52,714,000</u>

The lease signed between a single member LLC related to Excellence and a third party for the Bronx Excellence 5 location is guaranteed by the Charter School. The future minimum payments on this agreement through June 2029 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 715,000
2022	733,000
2023	751,000
2024	770,000
2025	789,000
Thereafter	<u>3,359,000</u>
	<u>\$ 7,117,000</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Land	\$ 914,772	\$ 914,772
Buildings	33,620,127	33,258,453
Furniture and fixtures	590,260	504,534
Computers and equipment	1,392,264	1,191,325
Software	12,661	12,661
Leasehold improvements	1,162,964	1,081,991
Construction in progress	-	30,105
	<u>37,693,048</u>	<u>36,993,841</u>
Less accumulated depreciation and amortization	<u>6,142,679</u>	<u>4,952,633</u>
	<u>\$ 31,550,369</u>	<u>\$ 32,041,208</u>

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 \$1,190,046 and \$1,117,445 for the years ended June 30, 2020 and 2019, respectively.

NOTE F: OPERATING LEASES AND COMMITMENTS

During January 2014, the Charter School canceled its lease of office equipment under a lease agreement that would have expired March 2016. The Charter School entered into a new lease for office equipment under a non-cancelable lease agreement at a monthly cost of \$2,578 that expired in February 2019. Associated with this lease, the Charter School received a buy-out for the remaining payments for its prior lease totaling \$20,800. The Charter School recorded the total buy-out amount as a deferred lease incentive and recognized approximately \$350 per month for the duration of the lease as other income. The Charter School recognized approximately \$2,430 for the year ended June 30, 2019.

The Charter School leases office equipment under non-cancelable lease agreements at a monthly cost of approximately \$11,800 that will expire at various dates through December 2026.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE F: OPERATING LEASES AND COMMITMENTS, Cont'd

The future minimum payments on these agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 133,000
2022	113,000
2023	84,000
2024	58,000
2025	16,000
Thereafter	<u>23,000</u>
	<u>\$ 427,000</u>

NOTE G: FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques to measure the fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE G: FAIR VALUE MEASUREMENTS, Cont'd

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2020 or 2019 :

Cash and cash equivalents, commercial paper, and money market funds: Fair value equals cost.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Charter School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy; the Charter School's restricted investment assets measured at fair value on a recurring basis as of June 30, 2020 and 2019:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
<u>June 30, 2020:</u>				
Money market	\$ 2,748,624	\$ -	\$ -	\$ 2,748,624
Commercial paper	-	78,941	-	78,941
Total assets at fair value	<u>\$ 2,748,624</u>	<u>\$ 78,941</u>	<u>\$ -</u>	<u>\$ 2,827,565</u>
 <u>June 30, 2019:</u>				
Money market	\$ 2,950,280	\$ -	\$ -	\$ 2,950,280
Commercial paper	-	78,827	-	78,827
Total assets at fair value	<u>\$ 2,950,280</u>	<u>\$ 78,827</u>	<u>\$ -</u>	<u>\$ 3,029,107</u>

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the risk associated with investment securities, it is at least reasonably possible that changes in risk could materially affect the accompanying financial statements.

NOTE H: BONDS PAYABLE

During April 2013, Build NYC Resource Corporation issued \$23,310,000 in principal amount of Tax-Exempt Fixed Rate Revenue Bonds ("Series A") and \$690,000 in principal amount of Taxable Fixed Rate Revenue Bonds ("Series B"). Proceeds from the sale included a premium of \$2,111,744, which is being amortized over the life of the bond issue. The proceeds of the bonds were made available to the Charter School pursuant to a special agreement with Build NYC Resource Corporation. The remaining proceeds were used to construct additional schools and for renovation of the current school facilities.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE H: BONDS PAYABLE, Cont'd

Revenue bonds outstanding as of June 30, 2020 and 2019:

<u>Year</u>	<u>Series A</u>		<u>Series B</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest Rate</u>	
Bond payable	\$ 22,445,000	3% - 5.5%	\$ -	5%	\$ 22,445,000
Unamortized bond premium	1,570,032		-		1,570,032
Unamortized bond issuance costs	<u>(994,074)</u>		<u>-</u>		<u>(994,074)</u>
Balance at June 30, 2019	<u>\$ 23,020,958</u>		<u>\$ -</u>		<u>\$ 23,020,958</u>
2021	\$ 525,000	4%	\$ -		\$ 525,000
2022	545,000	4%	-		545,000
2023	570,000	4%	-		570,000
2024	590,000	4%	-		590,000
2025	620,000	4%	-		620,000
Thereafter	<u>19,090,000</u>	4% - 5.5%	<u>-</u>		<u>19,090,000</u>
Bond payable	21,940,000		-		21,940,000
Unamortized bond premium	1,478,016		-		1,478,016
Unamortized bond issuance costs	<u>(911,535)</u>		<u>-</u>		<u>(911,535)</u>
Balance at June 30, 2020	<u>\$ 22,506,481</u>		<u>\$ -</u>		<u>\$ 22,506,481</u>

Principal payments for the Series A bonds are due annually, as indicated, on April 1. Payments of \$505,000 and \$485,000 were made during the years ended June 30, 2020 and 2019 toward the Series A bonds, respectively.

The Series A bonds are subject to optional redemption, in whole or in part, at the option of the Issuer at the request of the Charter School on April 1, 2023 or any business day thereafter. The bonds maturing in 2033 and 2043 are subject to mandatory sinking fund installments beginning in 2024 and 2034, respectively.

The Series B bonds had a stated rate and maturity of 5% in 2018. The bonds were subject to mandatory sinking fund installments beginning in 2016.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE H: BONDS PAYABLE, Cont'd

The bonds are secured by the assets and certain revenue of the Charter School. Additionally, the Charter School Financing Partnership, an organization established to provide access to secondary market financing for charter schools that serve disadvantaged students and communities, has provided funds amounting to \$1,540,000 to be held by the trustee in a Debt Reserve account as additional security. This amount is included in restricted investments in the statement of financial position. The Charter School is obligated to pay an annual fee equal to 0.14% of the bonds outstanding principal amount as of March 31st each year, for the use of these funds as security. The funds are to be repaid to the Charter School Financing Partnership upon expiration of the bonds.

In accordance with the loan agreement, the proceeds from the sale of the revenue bonds were placed in a Project Fund, maintained by U.S. Bank. The trustee is to use the monies in this fund to make payments to or on behalf of the Charter School to pay for the costs of the project upon receipt of written requisitions. Any monies remaining in the Project Fund will be transferred to the Redemption Account of the Bond Fund, to be applied by the trustees towards the redemption of the bonds. At June 30, 2020 and 2019, the unexpended balance was \$78,941 and \$78,827, which is included in restricted investments.

The Charter School is subject to certain loan covenants which require the Charter School to maintain specified cash on hand, debt service coverage ratio and limitations on further indebtedness. The Charter School is in compliance with all loan covenants as of June 30, 2020 and 2019.

Total issuance costs of approximately \$1,621,000 are being amortized over the life of the bonds. Amortization expense of \$82,539 and \$86,881 was recorded and is recognized in interest expense for the years ended June 30, 2020 and 2019, respectively. The Charter School incurred net interest expense of \$1,067,759 and \$1,085,856 for the years ended June 30, 2020 and 2019, respectively which is recognized in the statement of activities and changes in net assets.

NOTE I: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering all eligible employees. The Charter School matches up to 5% of each employee's annual compensation not to exceed the employee's salary deferral amount. The Charter School may also elect to make additional contributions to the plan on a discretionary basis. The Charter School made contributions of approximately \$329,700 and \$130,300 for the years ended June 30, 2020 and 2019, respectively.

NOTE J: CONTINGENCY

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE K: CONCENTRATIONS

At June 30, 2020, approximately 96% of grants and contracts receivable are due from the Federal government, relating to certain grants. For the year ended June 30, 2020, 88% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

At June 30, 2019, approximately 98% of grants and contracts receivables are due from the Federal government, relating to certain grants. For the year ended June 30, 2019, 86% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located

NOTE L: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Undesignated	\$ 18,593,458	\$ 13,394,592
Invested in property and equipment, net of related debt	<u>7,503,888</u>	<u>7,480,250</u>
	<u>\$ 26,097,346</u>	<u>\$ 20,874,842</u>

NOTE M: 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 N: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2020

(With Comparative Totals for 2019)

NOTE O: RENEWAL PROCESS

Bronx Excellence 2 is currently in the process of renewing its charter by the New York State Board of Regents. The Charter currently expires July 31, 2021. The renewal process includes review by the State University of New York Charter Schools Institute (CSI) of various operational and governance aspects, including fiscal health and internal controls, board governance, and academic performance. Bronx Excellence 2 has submitted its application for renewal. Upon review of the application and results, CSI will determine if the charter should be renewed and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of Bronx Excellence 2 expects the charter to be renewed.

BRONX CHARTER SCHOOL FOR EXCELLENCE

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Bronx Charter School for Excellence

We have audited the financial statements of Bronx Charter School for Excellence as of and for the year ended June 30, 2020, and have issued our report thereon dated October 20, 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 20, 2020

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF ACTIVITIES BY CHARTER

YEAR ENDED JUNE 30, 2020

	<u>Bronx Excellence 1</u>	<u>Bronx Excellence 2</u>	<u>Bronx Excellence 3</u>	<u>Bronx Excellence 4</u>	<u>Bronx Excellence 5</u>	<u>Total</u>
Revenue, gains and other support:						
Public school district						
Resident student enrollment	\$ 13,000,226	\$ 4,819,885	\$ 5,273,716	\$ 2,808,185	\$ 1,413,170	\$ 27,315,182
Students with disabilities	739,147	277,033	41,163	181,190	139,055	1,377,588
Grants and contracts						
State and local	64,243	23,741	26,143	14,206	9,718	138,051
Federal - Title and IDEA	546,405	196,266	188,422	126,432	70,386	1,127,911
Federal - other	27,614	26,008	126,872	68,064	134,390	382,948
Food service / Child nutrition program	266,461	-	-	-	-	266,461
NYC DOE Rental Assistance	-	353,736	681,851	367,150	418,850	1,821,587
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>14,644,096</u>	<u>5,696,669</u>	<u>6,338,167</u>	<u>3,565,227</u>	<u>2,185,569</u>	<u>32,429,728</u>
Expenses:						
Program:						
Regular education	10,329,177	3,185,292	3,614,378	2,005,813	2,174,252	21,308,912
Special education	2,107,401	573,072	648,231	429,548	475,084	4,233,336
TOTAL PROGRAM EXPENSES	<u>12,436,578</u>	<u>3,758,364</u>	<u>4,262,609</u>	<u>2,435,361</u>	<u>2,649,336</u>	<u>25,542,248</u>
Management and general	796,337	298,806	264,886	199,538	254,297	1,813,864
Fundraising and special events	10	-	414	38	118	580
TOTAL OPERATING EXPENSES	<u>13,232,925</u>	<u>4,057,170</u>	<u>4,527,909</u>	<u>2,634,937</u>	<u>2,903,751</u>	<u>27,356,692</u>
SURPLUS (DEFICIT) FROM SCHOOL OPERATIONS	1,411,171	1,639,499	1,810,258	930,290	(718,182)	5,073,036
Support and other revenue:						
Contributions	-					
Foundations	10,000	-	-	-	-	10,000
Individuals	2,750	-	-	-	-	2,750
Contributed goods and services	-	-	-	13,037	17,286	30,323
Investment income	94,025	-	-	-	-	94,025
Miscellaneous income	12,370					12,370
TOTAL SUPPORT AND OTHER REVENUE	<u>119,145</u>			<u>13,037</u>	<u>17,286</u>	<u>149,468</u>
CHANGE IN NET ASSETS	1,530,316	1,639,499	1,810,258	943,327	(700,896)	5,222,504
Net assets at beginning of year	15,511,279	3,493,763	1,180,008	689,792		20,874,842
NET ASSETS (DEFICIENCY) AT END OF YEAR	<u>\$ 17,041,595</u>	<u>\$ 5,133,262</u>	<u>\$ 2,990,266</u>	<u>\$ 1,633,119</u>	<u>\$ (700,896)</u>	<u>\$ 26,097,346</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 1

YEAR ENDED JUNE 30, 2020

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel Services Costs:								
Administrative staff personnel	14	\$ 491,219	\$ 75,849	\$ 567,068	\$ 191,426	\$ -	\$ 191,426	\$ 758,494
Instructional personnel	55	2,899,242	684,981	3,584,223	-	-	-	3,584,223
Non-instructional personnel	14	1,082,679	227,142	1,309,821	87,420	-	87,420	1,397,241
Total salaries and wages	83	4,473,140	987,972	5,461,112	278,846	-	278,846	5,739,958
Payroll taxes and employee benefits		1,213,189	267,954	1,481,143	75,627	-	75,627	1,556,770
Professional development		40,889	9,031	49,920	2,549	-	2,549	52,469
Legal fees		-	-	-	747	-	747	747
Audit/accounting fees		-	-	-	11,755	-	11,755	11,755
Professional services		432,125	93,164	525,289	26,071	-	26,071	551,360
Student and staff recruitment		6,835	1,510	8,345	424	-	424	8,769
Curriculum and classroom supplies		311,460	10,714	322,174	-	-	-	322,174
Office expenses		145,462	32,129	177,591	9,068	-	9,068	186,659
Food service		222,774	26,854	249,628	-	-	-	249,628
Student services		12,908	1,556	14,464	-	-	-	14,464
Insurance		-	-	-	81,486	-	81,486	81,486
Utilities		84,055	18,565	102,620	5,240	-	5,240	107,860
Non-capitalized equipment and furnishings		29,749	5,663	35,412	1,451	10	1,461	36,873
Repairs and maintenance		153,088	33,812	186,900	9,543	-	9,543	196,443
Depreciation and amortization		928,966	116,121	1,045,087	116,121	-	116,121	1,161,208
Interest expense		896,425	197,992	1,094,417	55,881	-	55,881	1,150,298
Management fees		1,376,157	303,933	1,680,090	85,768	-	85,768	1,765,858
Other		1,955	431	2,386	35,760	-	35,760	38,146
		<u>\$ 10,329,177</u>	<u>\$ 2,107,401</u>	<u>\$ 12,436,578</u>	<u>\$ 796,337</u>	<u>\$ 10</u>	<u>\$ 796,347</u>	<u>\$ 13,232,925</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 2

YEAR ENDED JUNE 30, 2020

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel Services Costs:								
Administrative staff personnel	3	\$ 271,746	\$ 42,926	\$ 314,672	\$ 114,591	\$ -	\$ 114,591	\$ 429,263
Instructional personnel	19	960,015	163,036	1,123,051	-	-	-	1,123,051
Non-instructional personnel	10	285,267	69,217	354,484	30,699	-	30,699	385,183
Total salaries and wages	32	1,517,028	275,179	1,792,207	145,290	-	145,290	1,937,497
Payroll taxes and employee benefits		475,188	86,196	561,384	45,510	-	45,510	606,894
Professional development		2,576	465	3,041	247	-	247	3,288
Legal fees		-	-	-	558	-	558	558
Audit/accounting fees		-	-	-	8,362	-	8,362	8,362
Professional services		190,117	33,265	223,382	13,795	-	13,795	237,177
Student and staff recruitment		885	161	1,046	85	-	85	1,131
Curriculum and classroom supplies		107,972	16,725	124,697	-	-	-	124,697
Office expenses		38,769	7,032	45,801	3,713	-	3,713	49,514
Student services		780	121	901	-	-	-	901
Insurance		5,488	995	6,483	526	-	526	7,009
Building and Land Rent / Lease		245,755	44,578	290,333	23,537	-	23,537	313,870
Utilities		39,438	7,154	46,592	3,777	-	3,777	50,369
Non-capitalized equipment and furnishings		9,900	1,698	11,598	594	-	594	12,192
Repairs and maintenance		29,296	5,314	34,610	2,806	-	2,806	37,416
Depreciation and amortization		9,165	1,146	10,311	1,146	-	1,146	11,457
Management fees		512,935	93,043	605,978	49,125	-	49,125	655,103
Other		-	-	-	(265)	-	(265)	(265)
		<u>\$ 3,185,292</u>	<u>\$ 573,072</u>	<u>\$ 3,758,364</u>	<u>\$ 298,806</u>	<u>\$ -</u>	<u>\$ 298,806</u>	<u>\$ 4,057,170</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 3

YEAR ENDED JUNE 30, 2020

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel Services Costs:								
Administrative staff personnel	3	\$ 155,724	\$ 23,486	\$ 179,210	\$ 55,645	\$ -	\$ 55,645	\$ 234,855
Instructional personnel	22	1,027,794	170,671	1,198,465	-	-	-	1,198,465
Non-instructional personnel	5	355,647	88,190	443,837	39,824	-	39,824	483,661
Total salaries and wages	30	1,539,165	282,347	1,821,512	95,469	-	95,469	1,916,981
Payroll taxes and employee benefits		451,388	84,435	535,823	29,287	-	29,287	565,110
Professional development		2,712	498	3,210	168	-	168	3,378
Legal fees		-	-	-	1,570	-	1,570	1,570
Audit/accounting fees		-	-	-	8,423	-	8,423	8,423
Professional services		116,282	20,138	136,420	26,325	-	26,325	162,745
Student and staff recruitment		1,023	137	1,160	18	-	18	1,178
Curriculum and classroom supplies		169,975	19,580	189,555	-	-	-	189,555
Office expenses		67,586	12,398	79,984	4,192	-	4,192	84,176
Student services		3,156	364	3,520	-	-	-	3,520
Insurance		2,625	484	3,109	16,222	-	16,222	19,331
Building and Land Rent / Lease		625,012	114,653	739,665	38,767	-	38,767	778,432
Utilities		27,729	5,087	32,816	1,720	-	1,720	34,536
Non-capitalized equipment and furnishings		19,181	541	19,722	5,794	414	6,208	25,930
Repairs and maintenance		28,610	5,248	33,858	1,775	-	1,775	35,633
Depreciation and amortization		6,747	843	7,590	843	-	843	8,433
Management fees		552,628	101,375	654,003	34,278	-	34,278	688,281
Other		559	103	662	35	-	35	697
		<u>\$ 3,614,378</u>	<u>\$ 648,231</u>	<u>\$ 4,262,609</u>	<u>\$ 264,886</u>	<u>\$ 414</u>	<u>\$ 265,300</u>	<u>\$ 4,527,909</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 4

YEAR ENDED JUNE 30, 2020

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel Services Costs:								
Administrative staff personnel	3	\$ 162,712	\$ 27,230	\$ 189,942	\$ 58,677	\$ -	\$ 58,677	\$ 248,619
Instructional personnel	13	569,410	125,582	694,992	-	-	-	694,992
Non-instructional personnel	5	218,084	53,752	271,836	24,153	-	24,153	295,989
Total salaries and wages	21	950,206	206,564	1,156,770	82,830	-	82,830	1,239,600
Payroll taxes and employee benefits		244,125	53,329	297,454	21,491	-	21,491	318,945
Professional development		2,055	447	2,502	179	-	179	2,681
Legal fees		-	-	-	16,357	-	16,357	16,357
Audit/accounting fees		-	-	-	7,683	-	7,683	7,683
Professional services		95,612	18,777	114,389	5,339	-	5,339	119,728
Student and staff recruitment		1,166	222	1,388	55	-	55	1,443
Curriculum and classroom supplies		66,261	10,539	76,800	-	-	-	76,800
Office expenses		19,435	4,231	23,666	1,698	-	1,698	25,364
Student services		1,151	203	1,354	-	-	-	1,354
Insurance		1,493	275	1,768	9,221	-	9,221	10,989
Building and Land Rent / Lease		298,351	64,858	363,209	26,007	-	26,007	389,216
Utilities		14,214	3,090	17,304	1,239	-	1,239	18,543
Non-capitalized equipment and furnishings		4,440	494	4,934	533	38	571	5,505
Repairs and maintenance		5,767	1,254	7,021	503	-	503	7,524
Depreciation and amortization		3,092	387	3,479	387	-	387	3,866
Management fees		298,420	64,873	363,293	26,014	-	26,014	389,307
Other		25	-	30	-	-	-	32
		<u>\$ 2,005,813</u>	<u>\$ 429,548</u>	<u>\$ 2,435,361</u>	<u>\$ 199,538</u>	<u>\$ 38</u>	<u>\$ 199,576</u>	<u>\$ 2,634,937</u>

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BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 5

YEAR ENDED JUNE 30, 2020

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel Services Costs:								
Administrative staff personnel	2	\$ 128,667	\$ 28,244	\$ 156,911	\$ 52,304	\$ -	\$ 52,304	\$ 209,215
Instructional personnel	9	398,564	87,757	486,321	-	-	-	486,321
Non-instructional personnel	4	162,959	35,359	198,318	17,779	-	17,779	216,097
Total salaries and wages	15	690,190	151,360	841,550	70,083	-	70,083	911,633
Payroll taxes and employee benefits		184,355	40,532	224,887	18,783	-	18,783	243,670
Professional development		1,232	270	1,502	125	-	125	1,627
Legal fees		-	-	-	40,734	-	40,734	40,734
Audit/accounting fees		-	-	-	6,993	-	6,993	6,993
Professional services		82,528	17,431	99,959	5,895	-	5,895	105,854
Student and staff recruitment		9,191	2,022	11,213	266	-	266	11,479
Curriculum and classroom supplies		107,909	23,760	131,669	-	-	-	131,669
Office expenses		30,119	6,610	36,729	3,061	-	3,061	39,790
Insurance		16,591	3,641	20,232	1,686	-	1,686	21,918
Building and Land Rent / Lease		873,621	191,587	1,065,208	88,709	-	88,709	1,153,917
Utilities		251	55	306	26	-	26	332
Non-capitalized equipment and furnishings		19,167	3,310	22,477	1,654	118	1,772	24,249
Depreciation and amortization		4,066	508	4,574	508	-	508	5,082
Management fees		151,100	33,136	184,236	15,343	-	15,343	199,579
Other		3,932	862	4,794	431	-	431	5,225
		<u>\$ 2,174,252</u>	<u>\$ 475,084</u>	<u>\$ 2,649,336</u>	<u>\$ 254,297</u>	<u>\$ 118</u>	<u>\$ 254,415</u>	<u>\$ 2,903,751</u>