



***FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2020 AND 2019***

## CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Balance Sheets	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	6 - 14
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15 - 16
Schedule of Findings and Responses	17
Summary Schedule of Prior Year Findings and Responses	18

## INDEPENDENT AUDITORS' REPORT

To The Board of Directors  
Broome Street Academy Charter High School  
New York, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Broome Street Academy Charter High School, which comprise the balance sheet as of June 30, 2020 and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' 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 Broome Street Academy Charter High School as of June 30, 2020 and the changes in 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 Prior Year Financial Statement**

The financial statements of Broome Street Academy Charter High School as of and for the year ended June 30, 2019 were audited by other auditors and whose report dated October 30, 2019, expressed an unmodified opinion on those financial statements.

### **Emphasis of Matters**

As discussed in Note 2 to the financial statements, in 2019 Broome Street Academy Charter High School adopted Accounting Standards Update (No. 2018-08, *Not-for-Profit Entities*: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958); and, No. 2014-09 Revenue from Contracts with Customers (Topic 606). Our opinion is not modified with respect to these matters.

### **Other Matters:**

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2020, on our consideration of Broome Street Academy Charter High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Broome Street Academy Charter High School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Broome Street Academy Charter High School's internal control over financial reporting and compliance.

*Dorfman Abrams Music, LLC*

Saddle Brook, New Jersey

October 30, 2020

BROOME STREET ACADEMY CHARTER HIGH SCHOOL

BALANCE SHEETS

ASSETS

	June 30,	
	<u>2020</u>	<u>2019</u>
Assets:		
Cash and cash equivalents	\$ 821,882	\$ 537,322
Restricted cash	75,476	75,445
Investments	1,638,697	1,621,962
Grants, contracts and other receivables	213,819	168,853
Due from affiliate (The Door)	108,773	
Prepaid expenses and other assets	45,015	55,159
Property and equipment, net	<u>70,228</u>	<u>14,219</u>
Total assets	<u>\$ 2,973,890</u>	<u>\$ 2,472,960</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 772,546	\$ 700,018
Refundable advances		94,656
Due to affiliate (The Door)		18,975
Other	<u>55,161</u>	<u>40,707</u>
Total liabilities	<u>827,707</u>	<u>854,356</u>
Net assets:		
Without donor restrictions:		
Undesignated for general use	2,000,479	1,528,940
Reserve - contingency	75,476	75,445
Net investment in property and equipment	<u>70,228</u>	<u>14,219</u>
Total net assets	<u>2,146,183</u>	<u>1,618,604</u>
Total liabilities and net assets	<u>\$ 2,973,890</u>	<u>\$ 2,472,960</u>

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

BROOME STREET ACADEMY CHARTER HIGH SCHOOL

STATEMENTS OF ACTIVITIES

	Year ended June 30, 2020			Year ended June 30, 2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating revenue:						
State and local per pupil operating revenue:						
Resident student enrollment	\$ 4,832,807	\$	\$ 4,832,807	\$ 4,222,819	\$	\$ 4,222,819
Students with disabilities	943,918		943,918	1,001,187		1,001,187
Other	69,046		69,046	235,182		235,182
New York Department of Education rental assistance	185,743		185,743	343,779		343,779
Government grants		207,571	207,571		256,052	256,052
In-kind contributions	86,554		86,554	92,678		92,678
Net assets released from restrictions	207,571	(207,571)		256,052	(256,052)	
Total operating revenue	6,325,639		6,325,639	6,151,697		6,151,697
Operating expenses:						
Program services:						
Regular education	3,922,201		3,922,201	4,423,386		4,423,386
Special education	1,353,080		1,353,080	1,149,409		1,149,409
Total program services	5,275,281		5,275,281	5,572,795		5,572,795
Supporting services:						
Management and general	1,371,899		1,371,899	1,117,630		1,117,630
Total operating expenses	6,647,180		6,647,180	6,690,425		6,690,425
Net deficit from school operations	(321,541)		(321,541)	(538,728)		(538,728)
Public support and other revenues:						
Contributions	200,285		200,285	134,480		134,480
Foundation and corporate support	555,787		555,787	1,600		1,600
Special events, net of expenses of \$51,218 in 2020 and \$104,718 in 2019	325,000		325,000	363,462		363,462
Total public support	1,081,072		1,081,072	499,542		499,542
Other revenues (expenses):						
Interest income	26,397		26,397	33,510		33,510
Miscellaneous	17,873		17,873	69,206		69,206
Fundraising expenses	(276,222)		(276,222)	(226,487)		(226,487)
Total public support and other revenues (expenses)	849,120		849,120	375,771		375,771
Change in net assets	527,579		527,579	(162,957)		(162,957)
Net assets, beginning of year	1,618,604		1,618,604	1,781,561		1,781,561
Net assets, end of year	<u>\$ 2,146,183</u>	<u>\$</u>	<u>\$ 2,146,183</u>	<u>\$ 1,618,604</u>	<u>\$</u>	<u>\$ 1,618,604</u>

BROOME STREET ACADEMY CHARTER HIGH SCHOOL

STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2020	2019
Cash flows from (used for) operating activities:		
Change in net assets	\$ 527,579	\$ (162,957)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	28,052	60,740
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants, contracts, and other receivables	(44,966)	(32,041)
Due from affiliate (The Door)	(108,773)	
Prepaid expenses and other assets	10,144	(17,263)
Increase (decrease) in:		
Accounts payable and accrued expenses	72,528	(39,480)
Refundable advances	(94,656)	80,843
Due to affiliate (The Door)	(18,975)	
Other liabilities	14,454	19,709
Net cash provided (used) by operating activities	<u>385,387</u>	<u>(90,449)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(84,061)	(2,778)
Purchases of investments	<u>(16,735)</u>	<u>(1,621,962)</u>
Net cash used by investing activities	<u>(100,796)</u>	<u>(1,624,740)</u>
Net increase (decrease) in cash and cash equivalents, and restricted cash	284,591	(1,715,189)
Cash and cash equivalents, and restricted cash, beginning of year	<u>612,767</u>	<u>2,327,956</u>
Cash and cash equivalents, and restricted cash, end of year	<u><u>\$ 897,358</u></u>	<u><u>\$ 612,767</u></u>

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

BROOME STREET ACADEMY CHARTER HIGH SCHOOL

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2020 and 2019

	Program services						Supporting services						Total program services and supporting services	
	Regular Education		Special Education		Total		Management and general		Fundraising expenses		Total		Total program services and supporting services	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Salaries	\$ 2,588,725	\$ 2,869,280	\$ 903,610	\$ 742,860	\$ 3,492,335	\$ 3,612,140	\$ 666,059	\$ 335,616	\$ 42,436	\$ 39,001	\$ 708,495	\$ 374,617	\$ 4,200,830	\$ 3,986,757
Employee benefits and payroll taxes	530,703	645,077	189,382	150,095	720,085	795,172	142,634	107,039	6,292	6,657	148,926	113,696	869,011	908,868
Total salaries and related expenses	3,119,428	3,514,357	1,092,992	892,955	4,212,420	4,407,312	808,693	442,655	48,728	45,658	857,421	488,313	5,069,841	4,895,625
Professional and administration fees	140,839	223,066	44,489	65,691	185,328	288,757	409,380	491,542	175,004	174,351	584,384	665,893	769,712	954,650
Occupancy costs	331,895	330,659	111,799	90,639	443,694	421,298	84,355	86,722	2,709		87,064	86,722	530,758	508,020
Equipment and software maintenance	107,496	85,779	33,446	22,192	140,942	107,971	13,686	24,380	30,822	3,013	44,508	27,393	185,450	135,364
Office supplies and material	47,429	44,586	14,969	12,624	62,398	57,210	5,517	21,593	688		6,205	21,593	68,603	78,803
Advertising and recruitment	23,988	37,352	8,511	11,695	32,499	49,047	23,993	7,587			23,993	7,587	56,492	56,634
Youth events	32,078	39,067	10,640	11,919	42,718	50,986	759	2,358		466	759	2,824	43,477	53,810
Telephone	27,712	28,640	7,810	7,275	35,522	35,915	5,960	5,711			5,960	5,711	41,482	41,626
Student meals	26,008	27,423	8,199	6,200	34,207	33,623							34,207	33,623
Insurance expense	23,627	25,304	6,823	6,440	30,450	31,744	5,214	5,058			5,214	5,058	35,664	36,802
Staff development and meetings	7,972	13,489	2,304	4,891	10,276	18,380	2,523	10,004	9,095	5	11,618	10,009	21,894	28,389
Membership dues	10,390	4,976	3,299	1,219	13,689	6,195	660	847		62	660	909	14,349	7,104
Miscellaneous expenses	1,903	3,883	1,147	1,255	3,050	5,138	4,669	4,578	6,776	784	11,445	5,362	14,495	10,500
Postage and printing	2,737	5,843	754	1,687	3,491	7,530	2,637	5,393	2,114	2,148	4,751	7,541	8,242	15,071
Travel	264	106	76	25	340	131	58	20	286		344	20	684	151
Depreciation	18,435	38,856	5,822	12,702	24,257	51,558	3,795	9,182			3,795	9,182	28,052	60,740
Total expenses	<u>\$ 3,922,201</u>	<u>\$ 4,423,386</u>	<u>\$ 1,353,080</u>	<u>\$ 1,149,409</u>	<u>\$ 5,275,281</u>	<u>\$ 5,572,795</u>	<u>\$ 1,371,899</u>	<u>\$ 1,117,630</u>	<u>\$ 276,222</u>	<u>\$ 226,487</u>	<u>\$ 1,648,121</u>	<u>1,344,117</u>	<u>\$ 6,923,402</u>	<u>\$ 6,916,912</u>



# BROOME STREET ACADEMY CHARTER HIGH SCHOOL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

### 1. Nature of the Organization

Broome Street Academy Charter High School (BSA or the School) is a New York State educational corporation operating as a charter school in Manhattan, New York. On October 19, 2010, the Board of Regents of the University of the State of New York granted BSA a provisional charter valid for a term of five years and renewable upon expiration. In April 2016, BSA's charter was renewed for five additional years. BSA's charter states that it will provide instruction to students in the ninth through twelfth grades for a period of five years.

Broome Street Academy Charter High School prepares its students for post-secondary success that leads to positive life outcomes. BSA values student strengths and provides multiple pathways to success through a curriculum of rigorous academic, career and social instruction grounded in the principles of positive youth development. BSA is a tuition-free public charter high school devoted to providing students the necessary skills and support to graduate, while preparing them for a successful future beyond high school. BSA's admissions policy gives preference to students who are homeless, in foster care, or from low performing middle schools.

BSA opened in the fall of 2011 with a freshman class. Since then, BSA grew by one grade level at a time until it hit capacity (ninth through twelfth grade) in the 2015-2016 school year. BSA's model merges academic, social, and emotional services to prepare students to graduate with a New York State Regents diploma, providing opportunities for a successful future. Additionally, BSA is partnered with, and housed within, The Door – A Center of Alternatives, Inc. (The Door), a nonprofit organization organized pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code). Founded in 1972, The Door is a leading youth development agency that offers a full range of supportive programming in the areas of health, mental health, career and workforce development, legal services, supportive housing, and arts and recreation. Through the support found at BSA and The Door, New York City's most at-risk students will realize their greatest potential.

### 2. Summary of significant accounting policies

#### Basis of presentation

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

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of BSA. These net assets may be used at the discretion of BSA's management and the board of directors.

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

#### Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



BROOME STREET ACADEMY CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

2. Summary of significant accounting policies (continued)

Cash and cash equivalents, and restricted cash

BSA considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted per the school charter or other long-term purposes are excluded from this definition. BSA maintains an escrow account, pursuant to its charter agreement, to pay off expenses in the event of the dissolution of BSA.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet to the sum of the corresponding amounts within the statement of cash flows:

	2020	2019
Cash and cash equivalents	\$ 821,882	\$ 537,322
Cash restricted per school charter	75,476	75,445
	<u>\$ 897,358</u>	<u>\$ 612,767</u>

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values, based on quoted market prices. Unrealized gains and losses are included in the changes in net assets without donor restriction for the gains and losses that are without donor restrictions, and in the changes in net assets with donor restrictions for the gains and losses that are donor restricted for the support of certain programs. Investment fees are netted against the investment return.

Fair value measurement

U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that BSA has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs that are not considered to be active;

Level 3 - Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad criteria data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by BSA. BSA considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to BSA's perceived risk of that investment.

BROOME STREET ACADEMY CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

2. Summary of significant accounting policies (continued)

Grants, contracts, and other receivables

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Grants receivable consist of unpaid grants from government agencies. All accounts and grants receivable are expected to be collected within one year.

Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. No allowance for doubtful accounts was deemed necessary as of June 30, 2020 and 2019. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Refundable advances

BSA records certain government grants and contracts as refundable advances and deferred revenue until related services are performed, at which time it is recognized as revenue.

Property and equipment

Property and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated, less accumulated depreciation. The cost of property and equipment purchased in excess of \$5,000 is capitalized. Depreciation is provided on the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	Term of the lease
Computer equipment and software	3 - 5 years
Furniture and equipment	3 - 5 years

The cost of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income except for assets traded where no cash is received. Expenditures for maintenance and repairs are charged to expenses as incurred; replacements and betterments that extend the useful lives are capitalized.

# BROOME STREET ACADEMY CHARTER HIGH SCHOOL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

### 2. Summary of significant accounting policies (continued)

#### Revenue and revenue recognition

BSA recognizes revenue from state and local per pupil program fees during the year in which the related services are provided to the enrolled students. Revenue from the state and local governments resulting from BSA's charter status based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

A portion of the School's revenue is derived from cost-reimbursable federal and state grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific contract or grant provisions. Amounts received on cost reimbursement grants, prior to incurring qualifying expenditures, are reported as refundable advances in the balance sheet. Under the terms of funding agreements with various governmental agencies, all reported expenditures are subject to audit and acceptance by the funding agencies. In the opinion of management, adjustments, if any, resulting from future audits, should not have a material effect on the School's financial position or changes in its net assets.

Rental assistance income is recognized ratably over the course of the year. During the years ended June 30, 2020 and 2019, BSA recognized \$185,743 and \$343,779, respectively, of rental assistance payments from the City.

BSA recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. 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 met.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Contributed supplies and materials for use in BSA's programs or for distribution to students are recognized as revenue and expenses in the accompanying financial statements.

Contributed services are reported as contributions at their fair value if such services create or enhance any nonfinancial assets or would have been purchased if not provided by donation, require specialized skills and are provided by individuals possessing such specialized skills.

BSA recognizes revenue from special events when the event takes place. Amounts received prior to the commencement of the events, including deposits, are deferred to the applicable period.

BSA has adopted Accounting Standards Update No. 2018-08 Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958); and, No. 2014-09 Revenue from Contracts with Customers (Topic 606) as management believes the standards improve the usefulness and understandability of BSA's financial reporting.

Analysis of various provisions of these standards resulted in no significant change in the way the BSA recognizes revenue, with the exception of certain government grants, which had previously been treated as without donor restriction. These amounts have been reclassified as with donor restriction in the amount of \$256,052 for the year ended June 30, 2019. Since they were cost reimbursement grants, the same amounts were released as of June 30, 2019. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

# BROOME STREET ACADEMY CHARTER HIGH SCHOOL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

### 2. Summary of significant accounting policies (continued)

#### Food services

The Broome Street Academy School Food Authority offers nutritious breakfasts and lunches to all BSA students at no cost. The School Food Authority is funded by Federal and New York State sponsored grants.

#### Functional allocation of expenses

Certain expenses are attributable to more than one program or supporting function. Management has reviewed all overhead costs and determined that it is appropriate to allocate a portion of these costs to the program services. A number of allocation methodologies are used, as summarized below.

**Compensation for personnel services:** Personnel costs are either directly charged to a cost center or allocated between the programs based on the estimated percentage of time spent serving each of these programs.

**Rent:** The allocation of occupancy cost is done based on square feet used by BSA, the information is revised every year for any changes with the Executive Director of The Door and the Facilities Director. The percentage of occupancy cost will also be applied to any maintenance cost of the school space. Utilities are included and accounted for as a part of the rent for the building.

**Student allocation:** The regular and special education student expenses allocation is done based on the number of students, as per the per pupil invoice provided by BSA Director of Operations.

**Other than personnel services (OTPS)** that benefits all the cost centers of BSA, allocation is based on FTE by Department. FTE calculations are supported by employee payroll records.

#### Income taxes

BSA is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. BSA has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. BSA has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

#### Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 financial statement presentation.

BROOME STREET ACADEMY CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

3. Risk and uncertainties

Financial instruments that potentially subject BSA to concentrations of credit risk consist principally of cash and cash equivalents, restricted cash, investments and grants, contracts, and other receivables. BSA maintains its cash and cash equivalents, and restricted cash in bank deposit accounts, the balance, of which, at times, may exceed federally insured limits. Investment securities are exposed to various risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amount reported on the financial statements. Concentrations of credit risk with respect to the accounts and grants, contracts, and other receivables are limited due to the fact the receivables are from governmental agencies and private foundations and have short payment terms. BSA has not experienced, nor does it anticipate, any losses with respect to such accounts.

BSA has reviewed its operations in light of the COVID-19 pandemic. Based on that review, it does not anticipate that the COVID-19 pandemic will have a negative financial impact on its operations. However, events surrounding the Federal and State responses to the COVID-19 virus, and changes to those responses could change that analysis, and that change could be material.

4. Availability and liquidity

The following represents BSA's financial assets at June 30, 2020:

Financial assets at year end

Cash	\$ 821,882
Investments	1,638,697
Grants, contracts, and other receivables	<u>213,819</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,674,398</u>

BSA has a policy to maintain available cash and short-term investments to meet 90 days of normal operating expenses, which are, on average, approximately \$1,400,000. BSA manages its cash and liquid assets to ensure the availability of funds to meet its current expenses and liquidate its liabilities. In addition to these available financial assets, a significant portion of BSA's annual expenditures will be funded by current year operating revenues, including program fees and grants.

BROOME STREET ACADEMY CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

5. Fair value measurement

The classification of the BSA's investment securities at fair value are as follows at June 30:

<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds - fixed income	\$ 1,638,697	\$	\$	\$ 1,638,697
Total	<u>\$ 1,638,697</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,638,697</u>
<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds - fixed income	\$ 1,621,962	\$	\$	\$ 1,621,962
Total	<u>\$ 1,621,962</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,621,962</u>

Net investment return consisted of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividends	<u>\$ 16,583</u>	<u>\$ 21,962</u>

6. Property and equipment

A summary of property and equipment is as follows:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 950,322	\$ 950,322
Computer equipment and software	688,590	623,517
Furniture and equipment	<u>253,301</u>	<u>234,313</u>
	1,892,213	1,808,152
Less accumulated depreciation	<u>1,821,985</u>	<u>1,793,933</u>
	<u>\$ 70,228</u>	<u>\$ 14,219</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$28,052 and \$60,740, respectively.

BROOME STREET ACADEMY CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

7. Net assets

Net assets were as follows for the years ended June 30:

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Undesignated for general use	\$2,000,479	\$	\$2,000,479	\$1,528,940	\$	\$1,528,940
Reserve - contingency	75,476		75,476	75,445		75,445
Net investment in property and equipment	70,228		70,228	14,219		14,219
Total net assets	<u>\$2,146,183</u>	<u>\$</u>	<u>\$2,146,183</u>	<u>\$1,618,604</u>	<u>\$</u>	<u>\$1,618,604</u>

Releases from net assets with donor restrictions are as follows at June 30:

Satisfaction of purpose restrictions:	2020	2019
Charter School – regular and special education	<u>\$ 207,571</u>	<u>\$ 256,052</u>

8. Retirement plan

BSA sponsors a 403(b) thrift plan covering all employees. All employees are immediately eligible to begin making voluntary reduction contributions. BSA has both an employer-based contribution and an employer matching contribution in the plan.

For the base employer contribution, employees must be at least age 21 and have two years of service to be eligible to start receiving the 3% employer base contribution. Participants will receive this base contribution regardless of whether they are contributing to the 403(b) plan or not. The employer base contribution is 100% immediately vested.

For the employer match, the participant must be at least age 21 and have two years of service with BSA to be eligible to start receiving the employer match. After two years with BSA, if a participant is voluntarily contributing 1% salary reduction into the 403(b), BSA will begin to match that and put in an employer matching contribution equivalent to 3%. With the employer match, the vesting is also 100% immediate.

Total expense for the years ended June 30, 2020 and 2019 was \$65,664 and \$90,343, respectively.



# BROOME STREET ACADEMY CHARTER HIGH SCHOOL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

### 9. Related party transactions

The Door is the sole member of BSA and two members of the board of trustees of The Door are also members of the board of BSA. The Door assisted with the establishment of BSA and in obtaining its charter, and acted as fiscal conduit for BSA was incorporated.

Pursuant to an approved services agreement, BSA paid The Door \$405,808 and \$393,937 during the years ended June 30, 2020 and 2019, respectively, for administrative support and fund-raising services, human resources services, fiscal management and information technology. Such amounts are included as professional and administrative fees in the statement of functional expenses. As of June 30, 2020, BSA has a receivable from The Door of \$108,773. As of June 30, 2019, BSA owed The Door an amount of \$18,975. Service agreements between BSA and The Door are reviewed and approved annually by the Board.

BSA had a five-year operating lease agreement, commencing on July 1, 2011, with The Door for classrooms and office space at 121 Avenue of the Americas, New York, NY, which expired on June 30, 2016. Pursuant to subsequent amendments to this lease agreement, BSA paid The Door rent that amounted to \$520,512 and \$495,726 for the years ended June 30, 2020 and 2019, respectively. Such amounts are included as occupancy cost in the statement of functional expenses.

As part of the lease amendment entered into in June 2019, BSA extended the lease agreement with The Door for a one-year term, which is set to expire on June 30, 2021. The aggregate future minimum rent is \$546,538.

During the year ended June 30, 2020, BSA, together with The Door, held a joint special fundraising event from which BSA's gross share of revenue amounted to \$376,218 and its net proceeds (after expenses of \$51,218) were \$325,000. During the year ended June 30, 2019, BSA, together with The Door, held a joint special fundraising event from which BSA's gross share of revenue amounted to \$468,180 and its net proceeds (after expenses) was \$363,462.

During the years ended June 30, 2020 and 2019, BSA received an in-kind legal service from a member of the Board in the amount of \$80,115 and \$73,115, respectively.

### 10. Significant source of support

During the years ended June 30, 2020 and 2019, BSA received approximately 84% and 91%, respectively, of its operating revenue and public support, from New York State. Amounts due to BSA from New York State was \$31,039 for the year ended June 30, 2020.

### 11. Contingency

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

### 12. Subsequent events

BSA has evaluated subsequent events through October 30, 2020, which is the date the financial statements were available to be issued. BSA is not aware of any material subsequent events.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To The Board of Directors  
Broome Street Academy Charter High School  
New York, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Broome Street Academy Charter High School, which comprise the balance sheet as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2020.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Broome Street Academy Charter High School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Broome Street Academy Charter High School's internal control. Accordingly, we do not express an opinion on the effectiveness of Broome Street Academy Charter High School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a material weakness.

***Compliance and Other Matters***

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

***Broome Street Academy Charter High School's Response to Findings***

Broome Street Academy Charter High School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Broome Street Academy Charter High School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Broome Street Academy Charter High School's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Broome Street Academy Charter High School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Saddle Brook, New Jersey

October 30, 2020

BROOME STREET ACADEMY CHARTER HIGH SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2020 and 2019

**2020-001 Material Weakness - Financial Records and Year-End Accounting Procedures**

Criteria: BSA must prepare financial statements that reflect accurate information about its financial position, results of operations or changes in net assets for the fiscal year. In addition, BSA should adhere to its internal controls to provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations.

Condition: During our audit procedures, it became apparent that the initial trial balance provided had not reflected several closing adjustments. The trial balance required significant revisions to ensure account balances were reconciled to supporting schedules.

Cause: Due in part to personnel changes at The Door (which provides administrative and fiscal management services), as well as difficulties caused by the Covid-19 pandemic, which included the closure of The Door and BSA's office in New York City, BSA was not able to provide all the supporting documents timely. These factors resulted in the need for significant adjustment to the year-end financial statements.

Effect: Interim financial reports might not have been accurately reported to the board and outside organizations.

Recommendation: We recommend that BSA strengthens its internal control procedures to ensure all accounts are reconciled timely and supporting schedules agree to internal financial statements. In addition, management should conduct a full financial review of its books and records regularly to ensure financial information provided is complete and accurate.

BSA should also consider maintaining all important documents, including contracts and state agreements electronically to allow for proper access when needed and to prevent delays in retrieving such information.

**Views of Responsible Officials and Planned Corrective Actions**

Management has noted that they will implement the above noted recommendations and expects that the financial process will be improved with the consistency of the new CFO position replacement. The new CFO has been in this position since May 2020 and additional oversight by the board is in place to ensure the transition.

BROOME STREET ACADEMY CHARTER HIGH SCHOOL  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

June 30, 2020 and 2019

**2019-001 Significant Deficiency - Compliance Finding**

2019-001 Maintenance of Student's Records

Criteria: Charter schools receive public funding based on the number of students served and the authorized tuition rate for the school district of residence of the student attending the charter school. Accordingly, a charter school should maintain valid proof of residence and adequate admission and attendance records of students.

Condition: The predecessor auditor's test of 25 student folders disclosed that 2 student folders did not contain registration or application forms, or the registration or application forms were not signed by the parent or guardian.

Cause: BSA serves New York City's most at-risk students, many of whom are homeless or in foster care, making it difficult for management to obtain the appropriate documentation.

Effect: The predecessor auditor noted that the lack of valid proof of residency and adequate admission records make it difficult to determine that the appropriate school district was billed for the correct level of the services (i.e. FTE).

Recommendation: The predecessor auditor recommended the following courses of action:

A review of student folders should be performed during the course of the year so that students, parents, guardians or caregivers could be promptly requested to submit missing documentation and signature.

**Current Status**

This finding has been remediated. The SchoolMint software appears to be in full use for all current students.