

**BRONX CHARTER SCHOOL FOR BETTER LEARNING**

**BRONX, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**OTHER FINANCIAL INFORMATION**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2015**

**(With Comparative Totals for 2014)**



**MENGEL METZGER BARR & CO. LLP**

*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Bronx Charter School for Better Learning

**Report on the Financial Statements**

We have audited the accompanying financial statements of Bronx Charter School for Better Learning, which comprise the statement of financial position as of June 30, 2015, 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* Issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bronx Charter School for Better Learning as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Bronx Charter School for Better Learning's June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 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, 2015 on our consideration of Bronx Charter School for Better Learning's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bronx Charter School for Better Learning's internal control over other financial reporting and compliance.

*Mengel, Metzger, Barr & Co. LLP*

Rochester, New York  
October 20, 2015

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015  
(With Comparative Totals for 2014)

<u>ASSETS</u>	June 30,	
	2015	2014
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 548,620	\$ 355,088
Certificates of deposit	898,188	1,104,552
Accounts receivable	207,161	-
Grants and other receivables	476,024	245,809
Prepaid expenses and other current assets	5,497	78,220
TOTAL CURRENT ASSETS	2,135,490	1,783,669
<u>PROPERTY AND EQUIPMENT</u> , net	168,928	215,663
<u>OTHER ASSET</u> - restricted cash	77,680	77,373
TOTAL ASSETS	\$ 2,382,098	\$ 2,076,705
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ -	\$ 200,000
Accounts payable and accrued expenses	53,902	138,886
Accrued payroll and benefits	643,604	537,339
Deferred revenue	56,116	12,560
TOTAL CURRENT LIABILITIES	753,622	888,785
<u>NET ASSETS</u>		
Unrestricted	1,577,310	1,159,805
Temporarily restricted	51,166	28,115
TOTAL NET ASSETS	1,628,476	1,187,920
TOTAL LIABILITIES AND NET ASSETS	\$ 2,382,098	\$ 2,076,705

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

**BRONX CHARTER SCHOOL FOR BETTER LEARNING**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

**YEAR ENDED JUNE 30, 2015**  
**(With Comparative Totals for 2014)**

	Year ended June 30,			
	2015		2014	
	Unrestricted	Temporarily restricted	Total	Total
<b>Operating revenue and support:</b>				
State and local per pupil				
operating revenue	\$ 7,113,301	\$ -	\$ 7,113,301	\$ 6,066,367
Governmental grants	803,777	-	803,777	354,144
Contributions	122,050	26,330	148,380	114,660
In-kind contributions	5,129	-	5,129	57,000
Interest income	1,943	-	1,943	4,019
Special events	55,097	-	55,097	37,897
Other income	8,560	-	8,560	-
Net assets released from restrictions	<u>3,279</u>	<u>(3,279)</u>	<u>-</u>	<u>-</u>
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>8,113,136</b>	<b>23,051</b>	<b>8,136,187</b>	<b>6,634,087</b>
<b>Expenses:</b>				
Program:				
Regular education	6,056,569	-	6,056,569	5,069,312
Special education	579,155	-	579,155	533,175
Management and general	829,999	-	829,999	777,813
Fundraising and special events	<u>229,908</u>	<u>-</u>	<u>229,908</u>	<u>190,016</u>
<b>TOTAL EXPENSES</b>	<b><u>7,695,631</u></b>	<b><u>-</u></b>	<b><u>7,695,631</u></b>	<b><u>6,570,316</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>417,505</b>	<b>23,051</b>	<b>440,556</b>	<b>63,771</b>
Net assets at beginning of year	<u>1,159,805</u>	<u>28,115</u>	<u>1,187,920</u>	<u>1,124,149</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,577,310</u></b>	<b><u>\$ 51,166</u></b>	<b><u>\$ 1,628,476</u></b>	<b><u>\$ 1,187,920</u></b>

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015  
 (With Comparative Totals for 2014)

	No. of Positions	Year ended June 30,							
		Program Services			Supporting Services			2014	
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Total	Total
<b>Personnel services costs:</b>									
Administrative staff personnel	4	\$ 29,086	\$ 9,695	\$ 38,781	\$ 145,427	\$ 91,717	\$ 237,144	\$ 275,925	\$ 236,794
Instructional personnel	79	3,795,762	329,221	4,124,983	-	-	-	4,124,983	3,374,431
Non-instructional personnel	8	565,883	62,166	628,049	141,220	21,790	163,010	791,059	679,871
<b>Total personnel services costs</b>	<b>91</b>	<b>4,390,731</b>	<b>401,082</b>	<b>4,791,813</b>	<b>286,647</b>	<b>113,507</b>	<b>400,154</b>	<b>5,191,967</b>	<b>4,291,096</b>
Fringe benefits and payroll taxes		951,809	105,322	1,057,131	293,976	27,521	321,497	1,378,628	1,140,883
Legal service		-	-	-	13,781	-	13,781	13,781	1,308
Accounting / audit services		-	-	-	22,253	-	22,253	22,253	23,632
Other purchased / professional / and consulting services		177,706	17,021	194,727	138,294	32,078	170,372	365,099	344,853
Building and land rent / lease		-	-	-	-	-	-	-	990
Repairs and maintenance		4,733	524	5,257	490	137	627	5,884	4,693
Insurance		27,286	3,019	30,305	8,701	789	9,490	39,795	34,340
Utilities		37,039	4,099	41,138	3,836	1,071	4,907	46,045	52,123
Supplies and materials		112,254	8,545	120,799	7,587	2,118	9,705	130,504	105,227
Staff development		44,673	5,553	50,226	14,218	2,125	16,343	66,569	58,589
Marketing and recruitment		3,041	284	3,325	1,672	-	1,672	4,997	8,294
Non-capitalized equipment/ furnishings		9,755	-	9,755	-	-	-	9,755	57,000
Technology		8,351	924	9,275	865	241	1,106	10,381	19,084
Food service		5,552	1,642	7,194	1,536	429	1,965	9,159	21,836
Student services		17,330	1,672	19,002	318	3,368	3,686	22,688	43,336
Office expense		126,317	13,977	140,294	13,080	3,652	16,732	157,026	145,750
Depreciation		127,122	14,067	141,189	13,164	3,676	16,840	158,029	190,678
Other		12,870	1,424	14,294	9,581	39,196	48,777	63,071	26,604
		<b>\$ 6,056,569</b>	<b>\$ 579,155</b>	<b>\$ 6,635,724</b>	<b>\$ 829,999</b>	<b>\$ 229,908</b>	<b>\$ 1,059,907</b>	<b>\$ 7,695,631</b>	<b>\$ 6,570,316</b>

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015  
(With Comparative Totals for 2014)

	Year ended June 30,	
	2015	2014
<b>CASH FLOWS - OPERATING ACTIVITIES</b>		
Change in net assets	\$ 440,556	\$ 63,771
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	158,029	190,678
Changes in certain assets and liabilities affecting operations:		
Restricted cash	(307)	(646)
Accounts receivable	(207,161)	
Grants and other receivables	(230,215)	(160,987)
Prepaid expenses and other current assets	72,723	(16,500)
Accounts payable and accrued expenses	(84,984)	58,869
Accrued payroll and benefits	106,265	(14,936)
Deferred revenue	43,556	12,560
NET CASH PROVIDED FROM OPERATING ACTIVITIES	298,462	132,809
<b>CASH FLOWS - INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(111,294)	(27,267)
Proceeds from (purchases of) certificates of deposit	206,364	(2,591)
NET CASH PROVIDED FROM (USED FOR) INVESTING ACTIVITIES	95,070	(29,858)
<b>CASH FLOWS - FINANCING ACTIVITIES</b>		
Payments on line of credit	(200,000)	-
NET CASH USED FOR FINANCING ACTIVITIES	(200,000)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	193,532	102,951
Cash and cash equivalents at beginning of year	355,088	252,137
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 548,620	\$ 355,088

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

## BRONX CHARTER SCHOOL FOR BETTER LEARNING

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015  
(With Comparative Totals for 2014)

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

##### The Charter School

Bronx Charter School for Better Learning (“the Charter School”) is an educational corporation that operates as a charter school in the borough of Bronx, New York. The Charter School operates two schools, Bronx Charter School for Better Learning (“BBL I”) and Bronx Charter School for Better Learning II (“BBL II”). On March 25, 2003, the Board of Regents of the University of the State of New York granted BBL I a provisional charter valid for a term of five years and renewable upon expiration. On June 24, 2013, BBL I obtained a five year charter renewal, with the ability to operate through July 31, 2018.

On July 22, 2014, the Board of Regents of the University of the State of New York amended the charter agreement permitting an additional school to be opened by the Charter School. During the 2015 fiscal year, the Charter School added BBL II under its expanded charter. BBL II has the authority to operate through July 30, 2020. The Charter School was established to provide its students in grades K-5 with a solid foundation for academic success, through achievement that exceeds citywide averages and meets or exceeds New York State Standards and national norms in all curriculum areas tested, especially in mathematics and language arts.

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

##### Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

*Permanently restricted* – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2015 or 2014.

*Temporarily restricted* – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. There were \$51,166 and \$28,115 of temporarily restricted net assets at June 30, 2015 and 2014, respectively, restricted for a specific purpose, as described in Note J.

*Unrestricted* – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015  
(With Comparative Totals for 2014)

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

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Charter School when qualifying expenditures are incurred and billable.

Contributions are recognized as revenue in the year the pledge is received and documented. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Cash and cash equivalents

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

Certificates of deposit

Certificates of deposit represent certificates of deposit with maturities of twelve months or less. The fair value of these assets was determined based on their original cost basis. In the normal course of business, the account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in certificates of deposit.

Accounts, grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2015 or 2014.

Property and equipment

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

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.

## BRONX CHARTER SCHOOL FOR BETTER LEARNING

### NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015  
(With Comparative Totals for 2014)

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

##### Tax exempt status

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

The Charter School has filed for and received income tax exemptions in the various jurisdictions where it is required to do so. The Charter School files Form 990 in the U.S. federal jurisdiction. With few exceptions, as of June 30, 2015, the Charter School is no longer subject to U.S. federal income tax examinations by tax authorities for years ended before June 30, 2012. Years ended June 30, 2012 through June 30, 2015 are still subject to potential audit by the IRS. Management of the Charter School believes they have no material uncertain tax positions and, accordingly, have not recognized any liability for unrecognized tax benefits.

##### In-kind donations

Gifts and donations other than cash are recorded at fair value at the date of contribution. The Charter School received in-kind contributions of \$5,129 and \$57,000 in the years ended June 30, 2015 and 2014, respectively.

##### Contributed services

The Charter School receives contributed services from volunteers to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed.

##### Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$5,000 and \$8,000 for the years ended June 30, 2015 and 2014, respectively.

##### Comparatives for year ended June 30, 2014

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

##### Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### Reclassification

Certain 2014 amounts have been reclassified to conform to the 2015 presentation.

## BRONX CHARTER SCHOOL FOR BETTER LEARNING

### NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015  
(With Comparative Totals for 2014)

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

##### Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 20, 2015, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

#### NOTE B: SCHOOL FACILITY

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

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

#### NOTE C: RESTRICTED CASH

The Charter School maintains an escrow account, pursuant to its charter agreement, to pay for expenses in the event of dissolution of the Charter School.

#### NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2015	2014
Furniture and fixtures	\$ 485,009	\$ 456,083
Computer equipment	714,320	631,952
	<u>1,199,329</u>	<u>1,088,035</u>
Less accumulated depreciation	1,030,401	872,372
	<u>\$ 168,928</u>	<u>\$ 215,663</u>

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015  
(With Comparative Totals for 2014)

NOTE E: LINE OF CREDIT

The Charter School entered into a \$200,000 line of credit agreement with a bank during 2013. Interest is payable at prime plus 75 basis points (effective rate of 4.00% at June 30, 2015). There was no outstanding balance at June 30, 2015. There was an outstanding balance of \$200,000 at June 30, 2014. The line is secured by a certain Certificate of Deposit held by the Charter School.

NOTE F: OPERATING LEASES

The Charter School leases office equipment under certain non-cancelable lease agreements expiring through February 2019. Lease expense was approximately \$76,000 and \$70,000 for the years ended June 30, 2015 and 2014, respectively. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 50,568
2017	50,568
2018	44,568
2019	4,667
	<hr/>
	\$ 150,371

NOTE G: RETIREMENT PLAN

The Charter School sponsors a 403(b) retirement plan (the "Plan") for its employees. All employees of the Charter School are eligible to participate. Contributions made to the Plan are credited to each individual participant's account maintained under a group annuity contract issued by Metropolitan Life Insurance Company. The Charter School matches 100% of the employee's contributions up to \$2,400 per year. During the years ended June 30, 2015 and 2014, the Charter School contributed approximately \$119,000 and \$109,000, respectively, to the Plan.

NOTE H: CONTINGENCY

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

**BRONX CHARTER SCHOOL FOR BETTER LEARNING**

**NOTES TO FINANCIAL STATEMENTS, Cont'd**

**YEAR ENDED JUNE 30, 2015**  
**(With Comparative Totals for 2014)**

**NOTE I: CONCENTRATIONS**

At June 30, 2015 and 2014, approximately 57% and 56%, respectively, of grants and other receivables are due from the federal government relating to certain grants. At June 30, 2015 and 2014, approximately 43% and 37%, respectively, of grants and other receivables are due from Mt. Vernon Department of Education.

During the years ended June 30, 2015 and 2014, 87% and 91%, respectively of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

**NOTE J: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for specialized services or purposes designated by the donors. At June 30, 2015 and 2014, temporarily restricted net assets were available for the following:

	June 30,	
	2015	2014
Scholarship fund	\$ 31,166	\$ 28,115
Internship program	20,000	-
	<hr/> <u>\$ 51,166</u>	<hr/> <u>\$ 28,115</u>

**BRONX CHARTER SCHOOL FOR BETTER LEARNING**

**OTHER FINANCIAL INFORMATION**



### INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees  
Bronx Charter School for Better Learning

We have audited the financial statements of Bronx Charter School for Better Learning as of and for the year ended June 30, 2015, and have issued our report thereon dated October 20, 2015, 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, 2015, as a whole.

*Mengel, Metzger, Barr & Co. LLP*

Rochester, New York  
October 20, 2015

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FINANCIAL POSITION BY CHARTER

JUNE 30, 2015

	Bronx Charter School for Better Learning	Bronx Charter School for Better Learning II	Eliminations	Total
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 548,620	\$ -	\$ -	\$ 548,620
Certificates of deposit	898,188	-	-	898,188
Accounts receivable	207,161	-	-	207,161
Grants and other receivables	242,679	233,345	-	476,024
Due from Bronx Charter School for Better Learning II	243,336	-	(243,336)	-
Prepaid expenses and other current assets	<u>5,497</u>	<u>-</u>	<u>-</u>	<u>5,497</u>
<b>TOTAL CURRENT ASSETS</b>	<b>2,145,481</b>	<b>233,345</b>	<b>(243,336)</b>	<b>2,135,490</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>158,937</b>	<b>9,991</b>	<b>-</b>	<b>168,928</b>
<b>OTHER ASSET - restricted cash</b>	<b>77,680</b>	<b>-</b>	<b>-</b>	<b>77,680</b>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,382,098</u></b>	<b><u>\$ 243,336</u></b>	<b><u>\$ (243,336)</u></b>	<b><u>\$ 2,382,098</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 53,902	\$ -	\$ -	\$ 53,902
Accrued payroll and benefits	643,604	-	-	643,604
Due to Bronx Charter School for Better Learning	-	243,336	(243,336)	-
Deferred revenue	<u>56,116</u>	<u>-</u>	<u>-</u>	<u>56,116</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>753,622</b>	<b>243,336</b>	<b>(243,336)</b>	<b>753,622</b>
<b>NET ASSETS</b>				
Unrestricted	1,577,310	-	-	1,577,310
Temporarily restricted	<u>51,166</u>	<u>-</u>	<u>-</u>	<u>51,166</u>
<b>TOTAL NET ASSETS</b>	<b><u>1,628,476</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,628,476</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,382,098</u></b>	<b><u>\$ 243,336</u></b>	<b><u>\$ (243,336)</u></b>	<b><u>\$ 2,382,098</u></b>

**BRONX CHARTER SCHOOL FOR BETTER LEARNING**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER**

JUNE 30, 2015

	Bronx Charter School for Better Learning	Bronx Charter School for Better Learning II	Eliminations	Total
Operating revenue and support:				
State and local per pupil				
operating revenue	\$ 7,113,301	\$ -	\$ -	\$ 7,113,301
Governmental grants	512,096	291,681	-	803,777
Contributions	148,380	-	-	148,380
In-kind contributions	5,129	-	-	5,129
Interest income	1,943	-	-	1,943
Special events	55,097	-	-	55,097
Other income	8,560	-	-	8,560
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUE AND SUPPORT	<u>7,844,506</u>	<u>291,681</u>	<u>-</u>	<u>8,136,187</u>
Expenses:				
Program:				
Regular education	6,056,569	-	-	6,056,569
Special education	579,155	-	-	579,155
Management and general	538,318	291,681	-	829,999
Fundraising and special events	229,908	<u>-</u>	<u>-</u>	<u>229,908</u>
TOTAL EXPENSES	<u>7,403,950</u>	<u>291,681</u>	<u>-</u>	<u>7,695,631</u>
CHANGE IN NET ASSETS	<u>440,556</u>	<u>-</u>	<u>-</u>	<u>440,556</u>
Net assets at beginning of year	<u>1,187,920</u>	<u>-</u>	<u>-</u>	<u>1,187,920</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,628,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,628,476</u>

**BRONX CHARTER SCHOOL FOR BETTER LEARNING**

**ADVISORY COMMENT LETTER**

**JUNE 30, 2015**



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 20, 2015

To the Board of Trustees  
Bronx Charter School for Better Learning

In planning and performing our audit of the financial statements of Bronx Charter School for Better Learning (the “Charter School”) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter School’s internal control over financial reporting (internal control) as a basis for designing 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 the Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter 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.

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

**Status of matters included in our letter as of June 30, 2014, dated October 23, 2014:**

We do not consider the following comment to be a significant deficiency or material weakness:

### **In-Kind Contributions**

During our audit, we noted the Charter School received various contributions of equipment which were not recognized in the financial statements, some of which were significant. While most of the items were described in the minutes, not all were assigned a value and there did not seem to be a consistent person responsible for tracking the award of the items, receipt of the items, and communication to the finance team. Donated materials or in-kind contributions requiring professional skill should, if possible, be valued and recorded in the appropriate period.

### **Recommendation**

We recommend an individual with knowledge of in-kind contributions of materials and services received be assigned to track these items, keeping records including a description of the transaction, an estimated or known dollar amount for the value of the donated goods or services, and a date received. This information should be communicated to the finance team in a timely manner so the contributions can be properly reflected in the financial statements.

#### *Status at June 30, 2015*

During our 2015 audit, our audit procedures did not reveal any instances where the Charter School had failed to record in-kind contributions.

\* \* \* \* \*

We believe that the implementation of these recommendations will improve the controls in place and efficiency of the Charter School's internal control.

This communication is intended solely for the information and use of Management, Finance Committee Members and Board Members and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the Charter School's financial statements. Should you have any questions or comments, please contact Michelle Cain or Greg Carver.

Very truly yours,

*Mengel, Metzger, Barr & Co. LLP*

MENGEL, METZGER, BARR & CO. LLP

**BRONX CHARTER SCHOOL FOR BETTER LEARNING**

**ROCHESTER, NEW YORK**

**SCHEDULES REQUIRED BY GOVERNMENT  
AUDITING STANDARDS AND OMB CIRCULAR A-133**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2015**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

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

Board of Trustees  
Bronx Charter School for Better Learning

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Bronx Charter School for Better Learning, which comprise the statement of financial position as of June 30, 2015 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2015.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

We noted certain other matters that we reported to management of Bronx Charter School for Better Learning in a separate letter dated October 20, 2015.

## **Purpose of This Report**

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



Rochester, New York

October 20, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees  
Bronx Charter School for Better Learning

**Report on Compliance for Each Major Federal Program**

We have audited Bronx Charter School for Better Learning's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Bronx Charter School for Better Learning's major federal programs for the year ended June 30, 2015. Bronx Charter School for Better Learning's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Bronx Charter School for Better Learning's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bronx Charter School for Better Learning's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bronx Charter School for Better Learning's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Bronx Charter School for Better Learning complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control over Compliance**

Management of Bronx Charter School for Better Learning is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bronx Charter School for Better Learning's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bronx Charter School for Better Learning's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of Bronx Charter School for Better Learning as of and for the year ended June 30, 2015, and have issued our report thereon dated October 20, 2015, 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Mengel, Metzger, Barr & Co. LLP*

Rochester, New York  
October 20, 2015

BRONX CHARTER SCHOOL FOR BETTER LEARNING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

	Federal CFDA Number	Pass-through Grantor's Number	Total Federal Expenditures
<u>U.S. Department of Education:</u>			
<u>Passed through New York State Education Department:</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	\$ 231,456
Title IIA - Improving Teacher Quality	84.367	0147	13,198
Charter School Program - Planning and Implementation Grant	84.282A	C402445	<u>291,681</u>
Total U.S. Department of Education			<u>536,335</u>
<b>TOTAL ALL PROGRAMS</b>			<b>\$ <u>536,335</u></b>

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bronx Charter School for Better Learning and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

SUMMARY OF AUDITOR'S RESULTS

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Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
• Material weakness (es) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/> x <input type="checkbox"/>	no

Noncompliance material to financial statements noted?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/> x <input type="checkbox"/>	no
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Federal Awards

Internal control over major programs:				
• Material weakness (es) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/> x <input type="checkbox"/>	no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/> x <input type="checkbox"/>	none reported

Type of auditor's report issued on compliance for major programs:	Unmodified		
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Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/> x <input type="checkbox"/>	no
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Identification of major program:

*CFDA Number:* *Name of Federal Program or Cluster:*

84.282A

Charter School Program - Planning and Implementation Grant

Dollar threshold used to distinguish between type A and type B programs:	<u>\$300,000</u>
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Auditee qualified as low-risk auditee?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/> x <input type="checkbox"/>	no
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BRONX CHARTER SCHOOL FOR BETTER LEARNING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2015

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Not Applicable.