

BRONX CHARTER SCHOOL FOR BETTER LEARNING

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2016

(With Comparative Totals for 2015)



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, 2016, 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, 2016, 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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 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 25, 2016 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, Barw & Co. LLP

Rochester, New York
October 25, 2016

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(With Comparative Totals for 2015)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 828,992	\$ 548,620
Certificates of deposit	1,031,731	898,188
Accounts receivable	140,195	214,929
Grants and other receivables	499,765	468,256
Prepaid expenses and other current assets	<u>15,917</u>	<u>5,497</u>
TOTAL CURRENT ASSETS	2,516,600	2,135,490
<u>PROPERTY AND EQUIPMENT, net</u>	162,252	168,928
<u>OTHER ASSET</u> - escrow account	<u>154,539</u>	<u>77,680</u>
TOTAL ASSETS	<u>\$ 2,833,391</u>	<u>\$ 2,382,098</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 279,583	\$ 53,902
Accrued payroll and benefits	811,732	643,604
Deferred revenue	<u>46,217</u>	<u>56,116</u>
TOTAL CURRENT LIABILITIES	1,137,532	753,622
<u>NET ASSETS</u>		
Unrestricted	1,623,426	1,577,310
Temporarily restricted	<u>72,433</u>	<u>51,166</u>
TOTAL NET ASSETS	<u>1,695,859</u>	<u>1,628,476</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,833,391</u>	<u>\$ 2,382,098</u>

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, 2016
(With Comparative Totals for 2015)

	Year ended June 30,			2015
	2016		Total	
	Unrestricted	Temporarily restricted		
Revenue, gains, and other support:				
Public school district				
Resident student enrollment	\$ 8,085,443	\$ -	\$ 8,085,443	\$ 6,530,570
Students with disabilities	569,950	-	569,950	582,731
Grants and contracts				
State and local	554,988	-	554,988	243,725
Federal - Title and IDEA	306,815	-	306,815	268,371
Federal - other	97,975	-	97,975	291,681
TOTAL REVENUE, GAINS AND OTHER SUPPORT	9,615,171	-	9,615,171	7,917,078
Expenses:				
Program services:				
Regular education	7,560,254	-	7,560,254	6,056,569
Special education	1,097,232	-	1,097,232	579,155
Total program services	8,657,486	-	8,657,486	6,635,724
Management and general	878,898	-	878,898	829,999
Fundraising and special events	214,663	-	214,663	229,908
TOTAL OPERATING EXPENSES	9,751,047	-	9,751,047	7,695,631
(DEFICIT) / SURPLUS FROM SCHOOL OPERATIONS	(135,876)	-	(135,876)	221,447
Support and other revenue:				
Contributions				
Foundations	51,517	-	51,517	75,782
Individuals	55,059	31,210	86,269	72,598
In-kind contributions	-	-	-	5,129
Fundraising	62,160	-	62,160	55,097
Interest income	2,913	-	2,913	1,943
Miscellaneous income	400	-	400	8,560
Net assets released from restriction	9,943	(9,943)	-	-
TOTAL SUPPORT AND OTHER REVENUE	181,992	21,267	203,259	219,109
CHANGE IN NET ASSETS	46,116	21,267	67,383	440,556
Net assets at beginning of year	1,577,310	51,166	1,628,476	1,187,920
NET ASSETS AT END OF YEAR	\$ 1,623,426	\$ 72,433	\$ 1,695,859	\$ 1,628,476

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, 2016
 (With Comparative Totals for 2015)

	No. of Positions	Year ended June 30,						Total	Total
		2016			2015				
		Program Services			Supporting Services				
Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Total	Total		
Personnel services costs:									
Administrative staff personnel	8	\$ 34,324	\$ 13,256	\$ 47,580	\$ 263,278	\$ 91,136	\$ 354,414	\$ 401,994	\$ 275,925
Instructional personnel	91	4,322,498	665,854	4,988,352	1,437	-	1,437	4,989,789	4,124,983
Non-instructional personnel	8	549,588	66,288	615,876	207,603	14,933	222,536	838,412	791,059
Total personnel services costs	107	4,906,410	745,398	5,651,808	472,318	106,069	578,387	6,230,195	5,191,967
Fringe benefits and payroll taxes		1,243,119	198,565	1,441,684	115,292	26,998	142,290	1,583,974	1,259,623
Retirement		99,284	17,191	116,475	8,607	2,173	10,780	127,255	119,005
Legal service		-	-	-	5,933	-	5,933	5,933	13,781
Accounting / audit services		-	-	-	28,598	-	28,598	28,598	22,253
Other purchased / professional / consulting services		353,777	35,184	388,961	136,389	33,758	170,147	559,108	365,099
Repairs and maintenance		95,882	15,322	111,204	8,889	2,082	10,971	122,175	82,173
Insurance		41,303	6,384	47,687	3,927	894	4,821	52,508	39,795
Utilities		90,339	13,496	103,835	8,799	1,950	10,749	114,584	46,045
Supplies and materials		259,827	19,049	278,876	15,613	2,650	18,263	297,139	130,504
Non-capitalized equipment/furnishings		107,199	-	107,199	32,068	2,842	34,910	142,109	9,755
Staff development		65,494	10,591	76,085	5,784	1,339	7,123	83,208	66,569
Marketing and recruitment		12,170	353	12,523	110	28	138	12,661	4,997
Technology		27,208	4,205	31,413	2,105	532	2,637	34,050	10,381
Food service		19,163	2,891	22,054	1,738	511	2,249	24,303	9,159
Student services		44,222	3,299	47,521	-	-	-	47,521	22,688
Office expense		75,367	11,314	86,681	6,405	1,800	8,205	94,886	80,737
Depreciation		101,534	11,423	112,957	10,153	3,807	13,960	126,917	158,029
Other		17,956	2,567	20,523	16,170	27,230	43,400	63,923	63,071
		<u>\$ 7,560,254</u>	<u>\$ 1,097,232</u>	<u>\$ 8,657,486</u>	<u>\$ 878,898</u>	<u>\$ 214,663</u>	<u>\$ 1,093,561</u>	<u>\$ 9,751,047</u>	<u>\$ 7,695,631</u>

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, 2016
(With Comparative Totals for 2015)

	<u>Year ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 67,383	\$ 440,556
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	126,917	158,029
Changes in certain assets and liabilities affecting operations:		
Accounts receivable	74,734	(207,161)
Grants and other receivables	(31,509)	(230,215)
Prepaid expenses and other current assets	(10,420)	72,723
Accounts payable and accrued expenses	225,681	(84,984)
Accrued payroll and benefits	168,128	106,265
Deferred revenue	(9,899)	43,556
NET CASH PROVIDED FROM OPERATING ACTIVITIES	611,015	298,769
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(120,241)	(111,294)
(Purchases of) proceeds from certificates of deposit	(133,543)	206,364
Change in escrow account	(76,859)	(307)
NET CASH (USED FOR) PROVIDED FROM INVESTING ACTIVITIES	(330,643)	94,763
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Payments on line of credit	-	(200,000)
NET CASH USED FOR FINANCING ACTIVITIES	-	(200,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	280,372	193,532
Cash and cash equivalents at beginning of year	548,620	355,088
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 828,992</u>	<u>\$ 548,620</u>

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, 2016
(With Comparative Totals for 2015)

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, 2016 or 2015.

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 \$72,433 and \$51,166 of temporarily restricted net assets at June 30, 2016 and 2015, respectively, restricted for a specific purpose, as described in Note I.

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, 2016
(With Comparative Totals for 2015)

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, 2016 or 2015.

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.

Escrow account

The Charter School segregated certain certificates of deposit to fund an escrow account in accordance with the terms of their charter agreement. The amount in escrow as of June 30, 2016 and 2015 was \$154,539 and \$77,680, respectively. The escrow account is restricted to fund legal and other costs should the Charter School cease operations and dissolve.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2016
(With Comparative Totals for 2015)

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

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.

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.

In-kind donations

Gifts and donations other than cash are recorded at fair value at the date of contribution. The Charter School did not receive any in-kind contributions for the year ended June 30, 2016 and received \$5,129 for the year ended June 30, 2015.

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 \$13,000 and \$5,000 for the years ended June 30, 2016 and 2015, respectively.

Comparatives for year ended June 30, 2015

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, 2015, 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.

Reclassifications

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

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 25, 2016, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2016
(With Comparative Totals for 2015)

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 Avenue, Bronx, New York.

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Furniture and fixtures	\$ 503,815	\$ 485,009
Computer equipment	<u>815,755</u>	<u>714,320</u>
	1,319,570	1,199,329
Less accumulated depreciation	<u>1,157,318</u>	<u>1,030,401</u>
	<u>\$ 162,252</u>	<u>\$ 168,928</u>

NOTE D: 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 4.25% at June 30, 2016). There was no outstanding balance at June 30, 2016 and 2015, respectively. The line is secured by a certain certificate of deposit held by the Charter School.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2016
(With Comparative Totals for 2015)

NOTE E: OPERATING LEASES

The Charter School leases office equipment under certain non-cancelable lease agreements expiring through November 2020. Lease expense was approximately \$115,000 and \$76,000 for the years ended June 30, 2016 and 2015, respectively. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ 110,328
2018	104,328
2019	64,427
2020	59,760
2021	24,900
	<u>\$ 363,743</u>

NOTE F: 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. The Charter School matches 100% of the employee's contributions up to \$2,400 per year. During the years ended June 30, 2016 and 2015, the Charter School contributed approximately \$127,000 and \$119,000, respectively, to the Plan.

NOTE G: 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, 2016
(With Comparative Totals for 2015)

NOTE H: CONCENTRATIONS

At June 30, 2016 and 2015, grants and other receivables are comprised of the following:

	June 30,	
	2016	2015
New York City Department of Education	42%	*
Federal Government	23%	57%
New York State Per Pupil	22%	*
Mt. Vernon Department of Education	*	43%

* Below 10% of receivables

During the years ended June 30, 2016 and 2015, 90% 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 I: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for specialized services or purposes designated by the donors. At June 30, 2016 and 2015, temporarily restricted net assets were available for the following:

	June 30,	
	2016	2015
Scholarship fund	\$ 32,433	\$ 31,166
Internship program	40,000	20,000
	<u>\$ 72,433</u>	<u>\$ 51,166</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, 2016, and have issued our report thereon dated October 25, 2016, 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, 2016, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 25, 2016

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2016

	Bronx Charter School for Better Learning	Bronx Charter School for Better Learning II	Eliminations	Total
Revenue, gains, and other support:				
Public school district				
Resident student enrollment	\$ 7,036,596	\$ 1,048,847	\$ -	\$ 8,085,443
Students with disabilities	569,950	-	-	569,950
Grants and contracts				
State and local	285,785	269,203	-	554,988
Federal - Title and IDEA	257,189	49,626	-	306,815
Federal - other	-	97,975	-	97,975
TOTAL REVENUE, GAINS AND OTHER SUPPORT	8,149,520	1,465,651	-	9,615,171
Expenses:				
Program services:				
Regular education	6,536,378	1,023,876	-	7,560,254
Special education	1,097,232	-	-	1,097,232
Total program services	7,633,610	1,023,876	-	8,657,486
Management and general	689,651	189,247	-	878,898
Fundraising and special events	195,789	18,874	-	214,663
TOTAL OPERATING EXPENSES	8,519,050	1,231,997	-	9,751,047
(DEFICIT) / SURPLUS FROM SCHOOL OPERATIONS	(369,530)	233,654	-	(135,876)
Support and other revenue:				
Contributions				
Foundations	51,517	-	-	51,517
Individuals	85,862	407	-	86,269
Fundraising	62,160	-	-	62,160
Interest income	2,913	-	-	2,913
Miscellaneous income	400	-	-	400
TOTAL SUPPORT AND OTHER REVENUE	202,852	-	-	203,259
CHANGE IN NET ASSETS	(166,678)	233,654	-	67,383
Net assets at beginning of year	1,628,476	-	-	1,628,476
NET ASSETS AT END OF YEAR	<u>\$ 1,462,205</u>	<u>\$ 233,654</u>	<u>\$ -</u>	<u>\$ 1,695,859</u>

BRONX CHARTER SCHOOL FOR BETTER LEARNING

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



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, 2016, 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 25, 2016.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a significant deficiency.

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. We did not identify any deficiencies that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-001 to be a significant deficiency.

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 matters that we reported to management of Bronx Charter School for Better Learning in a separate letter dated October 25, 2016.

Bronx Charter School for Better Learning's Response to Findings

Bronx Charter School for Better Learning's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Bronx Charter School for Better Learning'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 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.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 25, 2016

BRONX CHARTER SCHOOL FOR BETTER LEARNING

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2016

Finding 2016-001

Statement of condition

A significant auditor adjustment was necessary to correctly state the Charter School's financial statements for the year ended June 30, 2016.

Criteria and effect of conditions

During fiscal year 2016, certain purchases made in connection with a particular grant were capitalized; however, the grant required these purchases be expensed as title to the assets remained with the grantor. These errors resulted in a significant auditor adjustment.

Recommendation

We recommend the Charter School thoroughly review grant documentation and adhere to the conditions specified in the grant. This will ensure there are no grant violations.

Management response

The misstatement was corrected. The Charter School has reviewed all grant documentation and will assure that expenses are allocated appropriately over grants. Grant management meetings will occur quarterly with finance and development to assure that expenses are tagged according to grant guidelines.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

ADVISORY COMMENT LETTER

JUNE 30, 2016



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 25, 2016

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, 2016, 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.

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 or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be significant deficiency.

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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance. We consider the following deficiency in the Charter School’s internal control to be significant deficiency.

Significant Auditor Adjustment

During our audit, we noted certain purchases made in connection with a particular grant were capitalized; however, the grant required these purchases be expensed as title to the assets remained with the grantor. These errors resulted in a significant audit adjustment.

Recommendation

We recommend the Charter School thoroughly review grant documentation and adhere to the conditions specified in the grant. This will ensure there are not grant violations.

During the course of our audit of the financial statements of Bronx Charter School for Better Learning as of and for the year ended June 30, 2016, we observed the Charter School's significant accounting policies and certain business, financial and administrative practices. As a result of our observations, we noted the following, which we do not consider to be a significant deficiency or a material weakness:

Special Education Per Pupil Billing

During our audit, we noted one instance of a student whose Individualized Education Plan (IEP) required he receive special education services for between 20-60 percent of his day. The student was incorrectly billed by the Charter School in the "60% or more" category for a portion of the year. The amount overbilled is insignificant to the financial statements as a whole and appears to be an isolated incident.

Recommendation

We recommend the Charter School ensure all students are properly billed for based on the services that are required under the IEP and be involved in the approval process of the bi-monthly and annual invoice sent to the New York City Department of Education.

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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 Ryan Snyder.

Very truly yours,



MENGEL, METZGER, BARR & CO. LLP

BRONX CHARTER SCHOOL FOR BETTER LEARNING

AGREED UPON PROCEDURES

YEAR ENDED JUNE 30, 2016



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON CSP FUNDING

Board of Trustees
Bronx Charter School for Better Learning

We have performed the procedures identified below, which were agreed to by the management of Bronx Charter School for Better Learning (the "Charter School") and the New York State Education Department ("NYSED"), solely to assist the specified parties in evaluating the Charter School's assertion to NYSED that it has maintained compliance with the requirements of the CSP grant and Federal and NYSED guidelines in managing the CSP grant.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our results are as follows:

Procedure No. 1: We will obtain the detail of expenditures incurred for the year under review relating to the CSP grant from the Charter School's accounting software and reconcile to the grant revenue recorded by the Charter School. If the CSP grant revenue does not equal the grant expenditures, we will investigate the differences.

Result

We obtained the detail of expenditures incurred for the year under review relating to the CSP grant from the Charter School's accounting software and reconciled to the grant revenue recorded by the Charter School. We observed the CSP revenue equaled the grant expenditures.

Procedure No. 2: We will obtain the NYSED approved CSP grant award information, including the budget and any amendments, to determine if the revenue and expenditures recorded for the year appear reasonable.

Result

We observed the Charter School's approved FS-10, and final expenditure summary, and it appears that revenue and expenditures in the year are reasonable.

Procedure No. 3: We will select a sample of expenditures from the detail obtained in Procedure No. 1.

- a. Payroll – We will select 10 items or 10% of the total number of payroll items charged to the grant, whichever is less.
- b. Other expenses – We will select 10 items or 10% of the total number of other expense items charged to the grant, whichever is less.
- c. Using the above selected items, we will:
 - i. Determine if the expenditure is in accordance with the purpose of the grant and that pre-opening expenditures are charged to pre-opening periods.
 - ii. Determine if the expenditure falls into an approved budget category.
 - iii. Determine if the expenditure was charged to the appropriate fiscal year.

Result

There were no payroll items for the year under examination. We selected a sample of 10 other expense items for testing. Based on our testing, we noted expenditures appear to be in accordance with the purpose of the grant, that the expenditures fall into an approved budget category, and the expenditures were charged to the appropriate fiscal year.

Procedure No. 4: We will obtain FS-25 form(s) submitted to NYSED during the year under review and perform the following:

- a) Trace expenditures selected in Procedure No. 3 to requests for reimbursement. Determine that items requested for reimbursement had previously been expended or were expended within a month following the request for reimbursement. If items have not yet been requested for reimbursement, inquire of responsible charter school officials as to the plan for requesting reimbursement, and determine if a receivable is recorded, if appropriate.
- b) If FS-25 forms included amounts on Line 4 (Cash Expenditures Anticipated During Next Month), we will determine if funds were expended within 1 month following the date of the request and is at least the amount shown on Line 4.

Result

There were no FS-25 forms submitted to NYSED during the year under review. We observed the FS-10F filed, noting all expenses appeared properly included. As there were no FS-25s filed in the year of testing, Line 4 (Cash Expenditures Anticipated During Next Month) testing could not be conducted, therefore, no issues noted.

Procedure No. 5: For schools with a weighted lottery during the period under review we will:

- a) Obtain documentation that the Charter School received permission from the NYSED Charter School Office for the weighted lottery.
- b) Obtain the results of the weighted lottery.

Result

The Charter School does not have a weighted lottery, therefore this procedures is not applicable.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Charter School's compliance with the requirements of the CSP grant. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of Bronx Charter School for Better Learning and the New York State Education Department, and it is not intended to be and should not be used by anyone other than the specified parties.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
September 26, 2016