

BRONX CHARTER SCHOOL FOR BETTER LEARNING

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2012

(With Comparative Totals for 2011)

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MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Bronx Charter School for Better Learning

We have audited the accompanying statement of financial position of Bronx Charter School for Better Learning (the "Charter School") as of June 30, 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of Bronx Charter School for Better Learning as of and for the year ended June 30, 2011 and, in our report dated October 20, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2012 on our consideration of Bronx Charter School for Better Learning's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 25, 2012

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BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

(With Comparative Totals for 2011)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 997,357	\$ 730,387
Certificates of deposit	1,149,818	1,146,363
Grants and other receivables	55,971	142,401
Prepaid expenses and other current assets	<u>39,358</u>	<u>13,983</u>
TOTAL CURRENT ASSETS	2,242,504	2,033,134
<u>PROPERTY AND EQUIPMENT</u> , net	232,345	241,628
<u>OTHER ASSET</u> - restricted cash	<u>27,287</u>	<u>27,260</u>
TOTAL ASSETS	<u>\$ 2,502,136</u>	<u>\$ 2,302,022</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 113,013	\$ 51,411
Accrued payroll and benefits	<u>416,655</u>	<u>29,706</u>
TOTAL CURRENT LIABILITIES	529,668	81,117
 <u>NET ASSETS</u>		
Unrestricted	1,951,161	2,210,606
Temporarily restricted	<u>21,307</u>	<u>10,299</u>
TOTAL NET ASSETS	<u>1,972,468</u>	<u>2,220,905</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,502,136</u>	<u>\$ 2,302,022</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, 2012
(With Comparative Totals for 2011)

	Year ended June 30,			2011
	2012		Total	
	Unrestricted	Temporarily restricted		
Operating revenue and support:				
State and local per pupil operating revenue	\$ 5,441,582	\$ -	\$ 5,441,582	\$ 5,331,319
Governmental grants	304,563	-	304,563	399,288
Contributions	80,564	16,580	97,144	77,918
Interest income	6,248	-	6,248	8,514
Special events	25,623	-	25,623	52,521
Net assets released from restrictions	5,572	(5,572)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	5,864,152	11,008	5,875,160	5,869,560
Expenses:				
Program:				
Regular education	4,685,793	-	4,685,793	4,269,051
Special education	449,004	-	449,004	439,644
Management and general	813,054	-	813,054	541,452
Fundraising and special events	175,746	-	175,746	241,237
TOTAL EXPENSES	6,123,597	-	6,123,597	5,491,384
CHANGE IN NET ASSETS	(259,445)	11,008	(248,437)	378,176
Net assets at beginning of year	2,210,606	10,299	2,220,905	1,842,729
NET ASSETS AT END OF YEAR	\$ 1,951,161	\$ 21,307	\$ 1,972,468	\$ 2,220,905

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, 2012
(With Comparative Totals for 2011)

	Year ended June 30,						2011	
	2012			2011				
	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	\$ -	\$ -	\$ -	\$ 131,492	\$ 70,860	\$ 202,352	\$ 202,352	\$ 223,089
Instructional personnel	2,917,723	252,599	3,170,322	-	-	-	3,170,322	2,929,839
Non-instructional personnel	348,543	49,058	397,601	166,986	19,041	186,027	583,628	468,764
Total personnel services costs	3,266,266	301,657	3,567,923	298,478	89,901	388,379	3,956,302	3,621,692
Fringe benefits and payroll taxes	688,560	70,888	759,448	194,292	23,659	217,951	977,399	867,450
Legal service	-	-	-	1,760	-	1,760	1,760	3,520
Accounting / audit services	-	-	-	22,217	-	22,217	22,217	22,488
Other purchased / professional / and consulting services	70,863	8,082	78,945	99,270	26,685	125,955	204,900	152,061
Building and land rent / lease	2,750	-	2,750	-	-	-	2,750	8,555
Repairs and maintenance	7,353	980	8,333	1,022	327	1,349	9,682	9,428
Insurance	15,676	1,724	17,400	12,273	541	12,814	30,214	53,484
Utilities	15,930	1,786	17,716	2,449	733	3,182	20,898	17,663
Supplies and materials	143,312	15,435	158,747	2,924	1,587	4,511	163,258	159,320
Staff development	270,564	29,358	299,922	12,103	5,264	17,367	317,289	245,062
Marketing and recruitment	40,284	-	40,284	-	-	-	40,284	23,527
Technology	14,066	1,558	15,624	4,635	511	5,146	20,770	27,762
Food service	15,806	1,406	17,212	-	-	-	17,212	14,465
Student services	64,195	8,239	72,434	56	574	630	73,064	59,576
Office expense	62,343	7,012	69,355	6,106	3,750	9,856	79,211	57,673
Depreciation	-	-	-	144,062	-	144,062	144,062	116,315
Other	7,825	879	8,704	11,407	22,214	33,621	42,325	31,343
	\$ 4,685,793	\$ 449,004	\$ 5,134,797	\$ 813,054	\$ 175,746	\$ 988,800	\$ 6,123,597	\$ 5,491,384

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, 2012
(With Comparative Totals for 2011)

	<u>Year ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (248,437)	\$ 378,176
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	144,062	116,315
Loss on sale of property and equipment	9,363	-
Changes in certain assets and liabilities affecting operations:		
Restricted cash	(27)	(40)
Grants and other receivables	86,430	(29,977)
Prepaid expenses and other current assets	(25,375)	8,079
Accounts payable and accrued expenses	61,602	(66,843)
Accrued payroll and benefits	386,949	29,706
NET CASH PROVIDED FROM OPERATING ACTIVITIES	414,567	435,416
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(144,142)	(129,403)
Purchases of certificates of deposit	(3,455)	(153,669)
NET CASH USED FOR INVESTING ACTIVITIES	(147,597)	(283,072)
NET INCREASE IN CASH AND CASH EQUIVALENTS	266,970	152,344
Cash and cash equivalents at beginning of year	730,387	578,043
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 997,357	\$ 730,387

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, 2012
(With Comparative Totals for 2011)

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. On March 25, 2003, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. On May 20, 2008, the Charter School obtained a renewal through July 30, 2013. 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.

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, 2012 or 2011.

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 \$21,307 and \$10,299 of temporarily restricted net assets at June 30, 2012 and 2011, 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.

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.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

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

Cash and cash equivalents

The Charter School maintains its cash balances in certain financial institutions located in New York. The Charter School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and certain money market account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. In addition, certain non-interest bearing transaction accounts at the financial institutions are 100% insured through December 31, 2012. In the normal course of business, the interest bearing 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 any significant risk in cash and cash equivalents.

Certificates of deposit

Certificates of deposit represent certificates of deposit with maturities of nine months or less. The fair value of these assets was determined based on their original cost basis. In the normal course of business, the interest bearing 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.

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, 2012 or 2011.

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.

Tax exempt status

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

The Charter School has filed for and received income tax exemptions in the various jurisdictions where it is required to do so. The Charter School files Form 990 in the U.S. federal jurisdiction. With few exceptions, as of June 30, 2012, the Charter School is no longer subject to U.S. federal income tax examinations by tax authorities for years ended before June 30, 2009. Years ended June 30, 2009 through June 30, 2012 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.

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.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

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

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$40,300 and \$23,500 for the years ended June 30, 2012 and 2011, respectively.

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.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 25, 2012, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

Reclassifications

Certain 2011 amounts have been reclassified to conform with the 2012 presentation.

Comparatives for year ended June 30, 2011

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, 2011, from which the summarized information was derived.

NOTE B: SCHOOL FACILITY

The Charter School has entered into a "Facility Shared Use Agreement" (the "Agreement") with the New York City Department of Education for dedicated and shared space at P.S. 111 Annex, a New York City Public School located at 3740 Baychester Avenue, Bronx, New York. The Agreement commenced on July 1, 2005 and terminated on June 30, 2010. Pursuant to the terms of the Agreement, the Charter School shall pay \$1 per annum for the use of the shared facility during regular opening hours. The Charter School shall be responsible for any overtime-related costs for services provided beyond regular opening hours. As of October 25, 2012, the renewal of this agreement was still under negotiation.

NOTE C: RESTRICTED CASH

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Furniture and fixtures	\$ 419,502	\$ 383,407
Computer equipment	<u>319,458</u>	<u>362,597</u>
	738,960	746,004
Less accumulated depreciation	<u>506,615</u>	<u>504,376</u>
	<u>\$ 232,345</u>	<u>\$ 241,628</u>

NOTE E: LINE OF CREDIT

The Charter School has available a \$250,000 line of credit with a bank which matures during November 2012. Interest is payable monthly at LIBOR plus 5.751%. There were no balances outstanding at June 30, 2012 or 2011. The line is secured by substantially all assets of the Charter School.

NOTE F: OPERATING LEASE

The Charter School leases office equipment under certain non-cancelable lease agreements expiring through January 2017. Lease expense was approximately \$30,000 for each of the years ended June 30, 2012 and 2011. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2013	\$ 33,816
2014	33,816
2015	33,816
2016	20,670
2017	<u>8,393</u>
	<u>\$ 130,511</u>

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

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, 2012 and 2011, the Charter School contributed approximately \$98,000 and \$99,000, 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.

NOTE I: CONCENTRATIONS

At June 30, 2012 and 2011, approximately 51% and 44%, respectively, of grants and other receivables are due from the New York State Department of Education relating to certain grants. Also at June 30, 2012 and 2011, approximately 36% and 46% of grants and other receivables are due from Mt. Vernon Department of Education.

During the years ended June 30, 2012 and 2011, 93% 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, 2012 and 2011, temporarily restricted net assets were available for the following:

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Scholarship fund	\$ 10,709	\$ 10,299
Teacher training and development	<u>10,598</u>	<u>-</u>
	<u>\$ 21,307</u>	<u>\$ 10,299</u>

BRONX CHARTER SCHOOL FOR BETTER LEARNING

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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

Board of Trustees
Bronx Charter School for Better Learning

We have audited the financial statements of Bronx Charter School for Better Learning (the "Charter School") as of and for the year ended June 30, 2012 and have issued our report thereon dated October 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Bronx Charter School for Better Learning is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Bronx Charter School for Better Learning's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bronx Charter School for Better Learning's financial statements are free of 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, 2012.

This report is intended solely for the information and use of the Board of Trustees, management, federal, state and local awarding agencies, The Charter Schools Institute of the State University of New York, the State Education Department of the State University of New York, Mt. Vernon Department of Education and others within the Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 25, 2012