

Broome Street Academy Charter High School

Report to the Audit Committee

October 31, 2013



McGladrey LLP

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October 31, 2013

Audit Committee
Broome Street Academy Charter High School
121 Avenue of the Americas
New York, NY 10013

We are pleased to present this report related to our audit of the financial statements of Broome Street Academy Charter High School ("BSA") for the year ended June 30, 2013. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for BSA's financial reporting process.

This report is intended solely for the information and use of the Audit Committee, Board of Trustees and management and is not intended to be, and should not be, used by anyone other than these specified parties. It would be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to BSA.

McGladrey LLP

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Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

| Area | Comments |
|--|---|
| Our Responsibilities With Regard to the Financial Statement Audit | Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States, have been described to you in our arrangement letter dated August 9, 2013. |
| Overview of the Planned Scope and Timing of the Financial Statement Audit | We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement. |
| Accounting Policies and Practices | Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by BSA. BSA did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period. Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. Management's Judgments and Accounting Estimates Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Significant Accounting Estimates." |
| Audit Adjustments | The audit adjustment identified by us and recorded by BSA is shown in the attached "Summary of Recorded Audit Adjustments." |
| Uncorrected Misstatements | We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial. |
| Disagreements With Management | We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements. |
| Consultations With Other Accountants | We are not aware of any consultations management had with other accountants about accounting or auditing matters. |
| Significant Issues Discussed With Management | No significant issues arising from the audit were discussed with or were the subject of correspondence with management. |

| Area | Comments |
|---|--|
| Significant Difficulties Encountered in Performing the Audit | We did not encounter any significant difficulties in dealing with management during the audit. |
| Letter Communicating Deficiencies in Internal Control Over Financial Reporting | We have separately communicated the control deficiencies identified during our audit of the financial statements. A draft of this communication is included in Exhibit A. |
| Material Written Communications Between Management and Our Firm | Copies of material written communications between our firm and the management of BSA, including the representation letter provided to us by management, are attached as Exhibit A. |

Broome Street Academy Charter High School

Summary of Significant Accounting Estimates

Year Ended June 30, 2013

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in BSA's 2013 financial statements.

| Estimate | Accounting Policy | Management's Estimation Process | Basis for Our Conclusions on Reasonableness of Estimate |
|---|--|--|---|
| Allocation of Expenses Between Program and Supporting Services | Certain expenses are allocated among program and supporting services based on their functional classification. | <u>Salaries and wages allocation</u> - Management allocated salaries and wages based on an estimate of time and effort spent by each staff member on program services, general and administrative and fund-raising activities. <u>Direct costing</u> - Management and the accounting department's staff allocated certain expenditures based on the description of the invoices directly related to program services, general and administrative and fund-raising activities. <u>Occupancy costs</u> - Based on square footage used by program services and general and administrative activities. | We have reviewed management's bases for allocation of expenses between functional categories and found them to be reasonable. |
| Recoverability Period of Property and Equipment | Depreciation of property and equipment is being provided for by the straight-line method over the estimated useful lives of the related assets. Amortization of leasehold improvements is being provided for by the straight-line method over the remaining term of the lease. | The following are the estimated useful lives of the assets: Furniture and equipment - 3 to 5 years Computer equipment - 3 to 5 years Leasehold improvements - remaining term of lease | The recoverability period used by management is deemed to be reasonable. |

Broome Street Academy Charter High School

Summary of Recorded Audit Adjustments

Year Ended June 30, 2013

| Description | Effect—Increase (Decrease) | | | | |
|---------------------------------------|-----------------------------------|--------------------|-------------------|----------------|-----------------|
| | Assets | Liabilities | Net Assets | Revenue | Expenses |
| To correct salaries and related costs | \$ - | \$ 6,747 | \$ (6,747) | \$ - | \$ 6,747 |

Exhibit A—Material Written Communications Between Management and Our Firm



McGladrey LLP

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The Management and the Board of Trustees
Broome Street Academy Charter High School
121 Avenue of the Americas
New York, NY 10013

In planning and performing our audit of the financial statements of Broome Street Academy Charter High School (the "School") as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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.

In Exhibit I of this letter, we describe identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses.

The School's written response to the deficiency identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "McGladrey LLP".

New York, New York
October 31, 2013

EXHIBIT I – Current-Year Observation

A. Salary Discrepancy

Observation:

We observed that the salary rate for one employee was entered into the payroll system incorrectly. When the issue was brought to their attention, management promptly reviewed the salary rates entered in the payroll system for all employees, and determined that this was an isolated manual input error. Management accrued additional salary expense of approximately \$6,700 for the year ended June 30, 2013 to correct this error.

Recommendation:

Going forward, we recommend that items requiring manual input to the payroll system be subjected to a more thorough management review.

Management's Response:

The error was due to an incorrect file number match between the ADP timesheet system and the main ADP payroll system resulting in the employee's payroll being processed with an old pay rate. We are taking all precautions to ensure this does not happen again, including more thorough management review of items requiring manual input, such as changes in tax status and/or salary increases. The likelihood of a similar mistake occurring in the future is further minimized by the fact that this migration to a new timesheet system was a one-time event.

B. Authorized Bank Signatory

Observation:

We noted that a former employee who had separated from BSA was still listed as an authorized bank signatory in the confirmation replies we received from the banks.

Recommendation:

We recommend that the bank be promptly notified in writing of any changes in BSA's list of authorized bank signatories.

Management's Response:

The signatory has been removed from the BSA's accounts. In the future, we will ensure that this notification to banks happens in a timely manner.



BROOME STREET
ACADEMY

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October 31, 2013

McGladrey LLP
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New York, N.Y. 10036-2602

This representation letter is provided in connection with your audits of the financial statements of Broome Street Academy Charter High School ("BSA") which comprise the statement of financial position as of June 30, 2013 and 2012 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of October 31, 2013, the following representations made to you during your audits:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated August 9, 2013, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. The following have been properly recorded and/or disclosed in the financial statements:

- a. Amounts of contractual obligations for construction and renovation of additional classroom space and facilities at 555 Broome Street, New York.
 - b. All leases and material amounts of rental obligations under long-term leases.
 - c. All significant estimates and material concentrations known to management that are required to be disclosed in accordance with the Risks and Uncertainties Topic of the FASB Accounting Standards Codification. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year.
 - d. All recordable contributions, by appropriate net asset class.
 - e. Allocations of functional expenses based on reasonable basis.
 - f. Refundable advances.
 - g. Concentrations of credit risk.
 - h. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - i. Releases of/reclassifications between net asset classes.
9. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
- a. BSA has no idle property and equipment.
 - b. BSA has no plans or intentions to discontinue any significant program services.
10. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, we specifically represent that all grants, contracts and other receivables are due in full within one year. We have evaluated these receivables and concluded that all of these receivables will be collected in full and no allowance for uncollectible account is provided in the 2013 financial statements.
11. There are no:
- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.
 - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification.
 - c. Guarantees, whether written or oral, under which BSA is contingently liable.
 - d. Lines of credit or similar arrangements.
 - e. Agreements to repurchase assets previously sold.
 - f. Security agreements in effect under the Uniform Commercial Code.

- g. Liens or encumbrances on assets and all other pledges of assets.
 - h. Investments in debt and equity securities.
 - i. Liabilities that are subordinated to any other actual or possible liabilities of BSA.
 - j. Derivative financial instruments.
 - k. Compositions of assets in amounts needed to comply with all donor restrictions.
 - l. Board designated unrestricted net assets.
 - m. Current and deferred assets and liabilities related to the accounting for income taxes.
Additionally, we have evaluated the tax positions under the two-step approach for recognition and measurement of uncertain tax positions required by the Income Tax Topic of the FASB Accounting Standards Codification.
 - n. Long-lived assets or certain identifiable intangibles.
 - o. Assets that have permanently declined in value.
 - p. Uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2013.
 - q. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.
 - r. Pension obligations, postretirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through June 30, 2013.
 - s. Deferred revenue from exchange transactions.
 - t. Environmental clean-up obligations.
12. BSA has satisfactory title to all owned assets.
13. We have complied with all aspects of contractual agreements, grants, and donor restrictions that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and OMB Circular No. A-133, because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
14. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

15. We have provided you with:
- a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

16. All transactions have been recorded in the accounting records and are reflected in the financial statements.
17. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
18. We have no knowledge of allegations of fraud or suspected fraud, affecting the entity's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
19. We have no knowledge of any allegations of fraud or suspected fraud affecting BSA's financial statements received in communications from employees, former employees, regulators, or others.
20. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
21. We are not aware of any pending or threatened litigation and claims whose effects were considered when preparing the financial statements.
22. We have disclosed to you the identity of BSA's related parties and all the related-party relationships and transactions of which we are aware.
23. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect BSA's ability to record, process, summarize, and report financial data.
24. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
25. We have received a determination from the Internal Revenue Service that we are exempt from federal income taxes as a Section 501(c)(3)not-for-profit corporation, and we have complied with the IRS regulations regarding this exemption.
26. We are responsible for determining that significant events or transactions that have occurred since the balance sheet date and through October 31, 2013, have been recognized or disclosed in the financial statements. No events or transactions other than those disclosed in the financial statements have occurred subsequent to the balance sheet date and through October 31, 2013 that would require recognition or disclosure in the financial statements. We further represent that as of October 31, 2013, the financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America, and all approvals necessary for issuance of the financial statements had been obtained.
27. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
28. We have reviewed, approved, and take full responsibility for the financial statements and related notes and acknowledge the auditor's role in the preparation of this information.

Compliance Considerations

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm:

1. We are responsible for:
 - a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to BSA.
 - b. Establishing and maintaining effective internal control over financial reporting.
2. We have identified and disclosed to you:
 - a. All laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
3. We are not aware of violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
4. There have been no reported fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that has been reported.
5. We have a process to track the status of audit findings and recommendations.
6. We have provided you with the corrective action taken on your prior reported findings, conclusions, and recommendations.
7. There have been no previous audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken.

BROOME STREET ACADEMY CHARTER HIGH SCHOOL



Irma Gonzalez, Chief Financial Officer



Barbara McKeon, Head of School

Broome Street Academy Charter High School

Financial Report

June 30, 2013

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Independent Auditor's Report

To the Board of Trustees
 Broome Street Academy Charter High School
 New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Broome Street Academy Charter High School ("BSA"), which comprise the statements of financial position as of June 30, 2013 and 2012, the related statements of activities, functional expenses, and cash flows for the years 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 audits. 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 of 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 Broome Street Academy Charter High School as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 31, 2013 and October 16, 2012 on our consideration of BSA'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 these reports 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. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BSA's internal control over financial reporting and compliance.

McGladrey LLP

New York, New York
October 31, 2013

Broome Street Academy Charter High School

Statements of Financial Position
June 30, 2013 and 2012

| | 2013 | 2012 |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Cash | \$ 976,652 | \$ 474,519 |
| Restricted Cash | 50,099 | 25,045 |
| Grants, Contracts and Other Receivables | 235,833 | 206,371 |
| Prepaid Expenses and Other Assets | 51,247 | 25,683 |
| Property and Equipment, net | <u>709,378</u> | <u>388,219</u> |
| Total assets | <u>\$ 2,023,209</u> | <u>\$ 1,119,837</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Refundable advances | \$ 12,387 | \$ 8,440 |
| Accounts payable and accrued expenses | 288,930 | 176,486 |
| Deferred rent obligation | <u>115,648</u> | <u>96,000</u> |
| Total liabilities | <u>416,965</u> | <u>280,926</u> |
| Net Assets: | | |
| Unrestricted: | | |
| Reserve - contingency | 50,000 | 25,000 |
| Undesignated for general use | 498,700 | 405,758 |
| Net investment in fixed assets | <u>709,378</u> | <u>388,219</u> |
| Total unrestricted | <u>1,258,078</u> | <u>818,977</u> |
| Temporarily restricted | <u>348,166</u> | <u>19,934</u> |
| Total net assets | <u>1,606,244</u> | <u>838,911</u> |
| Total liabilities and net assets | <u>\$ 2,023,209</u> | <u>\$ 1,119,837</u> |

See Notes to Financial Statements.

Broome Street Academy Charter High School

Statements of Activities

Years Ended June 30, 2013 and 2012

| | 2013 | | | 2012 | | |
|--|---------------------|-------------------------------|---------------------|---------------------|-------------------------------|-------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
| Operating Revenue: | | | | | | |
| State and local per pupil operating revenue | \$ 3,526,942 | \$ - | \$ 3,526,942 | \$ 2,312,715 | \$ - | \$ 2,312,715 |
| Government grants and contracts | <u>537,753</u> | <u>-</u> | <u>537,753</u> | <u>399,588</u> | <u>-</u> | <u>399,588</u> |
| Total operating revenue | 4,064,695 | - | 4,064,695 | 2,712,303 | - | 2,712,303 |
| Operating Expenses: | | | | | | |
| Program services: | | | | | | |
| Regular education | 2,509,805 | - | 2,509,805 | 1,231,927 | - | 1,231,927 |
| Special education | <u>807,732</u> | <u>-</u> | <u>807,732</u> | <u>600,158</u> | <u>-</u> | <u>600,158</u> |
| Total program services | 3,317,537 | - | 3,317,537 | 1,832,085 | - | 1,832,085 |
| Management and general | <u>595,393</u> | <u>-</u> | <u>595,393</u> | <u>543,531</u> | <u>-</u> | <u>543,531</u> |
| Total operating expenses | 3,912,930 | - | 3,912,930 | 2,375,616 | - | 2,375,616 |
| Net revenue from school operations | 151,765 | - | 151,765 | 336,687 | - | 336,687 |
| Public Support and Other Revenue (Expenses): | | | | | | |
| Public support: | | | | | | |
| Contributions | 361,356 | - | 361,356 | 82,365 | - | 82,365 |
| Foundation and corporate support | <u>72,834</u> | <u>348,166</u> | <u>421,000</u> | <u>3,500</u> | <u>245,000</u> | <u>248,500</u> |
| Special events, net of direct cost of \$14,599 in 2012 | <u>-</u> | <u>-</u> | <u>-</u> | <u>33,926</u> | <u>-</u> | <u>33,926</u> |
| Total public support | 434,190 | 348,166 | 782,356 | 119,791 | 245,000 | 364,791 |
| Interest Income | <u>227</u> | <u>-</u> | <u>227</u> | <u>121</u> | <u>-</u> | <u>121</u> |
| Fund-Raising Expenses | <u>(167,015)</u> | <u>-</u> | <u>(167,015)</u> | <u>(66,384)</u> | <u>-</u> | <u>(66,384)</u> |
| Net Assets Released From Restrictions | <u>19,934</u> | <u>(19,934)</u> | <u>-</u> | <u>383,744</u> | <u>(383,744)</u> | <u>-</u> |
| Total public support and other revenue (expenses) | 287,336 | 328,232 | 615,568 | 437,272 | (138,744) | 298,528 |
| Change in net assets | 439,101 | 328,232 | 767,333 | 773,959 | (138,744) | 635,215 |
| Net Assets: | | | | | | |
| Beginning | <u>818,977</u> | <u>19,934</u> | <u>838,911</u> | <u>45,018</u> | <u>158,678</u> | <u>203,696</u> |
| Ending | \$ 1,258,078 | \$ 348,166 | \$ 1,606,244 | \$ 818,977 | \$ 19,934 | \$ 838,911 |

See Notes to Financial Statements.

Broome Street Academy Charter High School

Statements of Functional Expenses

Years Ended June 30, 2013 and 2012

| | 2013 | | | | | | | 2012 | | | | | | |
|---|---------------------|-------------------|---------------------|-------------------|-------------------|---------------------------|---------------------|---------------------|-------------------|---------------------|-------------------|------------------|---------------------------|---------------------|
| | Program Services | | | Management | | Total Supporting Services | | Program Services | | | Management | | Total Supporting Services | |
| | Regular Education | Special Education | Total | and General | Fund-Raising | Total Expenses | Regular Education | Special Education | Total | and General | Fund-Raising | Total Expenses | Regular Education | Total Expenses |
| Salaries | \$ 1,490,878 | \$ 453,728 | \$ 1,944,606 | \$ 299,337 | \$ 83,699 | \$ 383,036 | \$ 2,327,642 | \$ 691,566 | \$ 384,810 | \$ 1,076,376 | \$ 225,500 | \$ 38,316 | \$ 263,816 | \$ 1,340,192 |
| Payroll taxes | | | | | | | | | | | | | | |
| and employee benefits | 282,387 | 87,543 | 369,930 | 46,923 | 17,422 | 64,345 | 434,275 | 114,022 | 69,304 | 183,326 | 38,760 | 8,097 | 46,857 | 230,183 |
| Professional and administrative fees (Note 7) | 175,585 | 62,533 | 238,118 | 100,725 | 62,128 | 162,853 | 400,971 | 92,993 | 38,901 | 131,894 | 102,131 | 18,243 | 120,374 | 252,268 |
| Audit fees | 14,500 | 5,800 | 20,300 | 7,189 | 1,511 | 8,700 | 29,000 | - | - | - | 2,500 | - | 2,500 | 2,500 |
| Advertising and recruitment | 4,003 | 3,316 | 7,319 | 19,239 | - | 19,239 | 26,558 | 13,934 | 9,682 | 23,616 | 2,742 | 58 | 2,800 | 26,416 |
| Equipment and software maintenance | 26,933 | 6,173 | 33,106 | 1,683 | - | 1,683 | 34,789 | 30,205 | 4,509 | 34,714 | 5,236 | - | 5,236 | 39,950 |
| Equipment purchases | 14,493 | - | 14,493 | - | - | - | 14,493 | 15,221 | 3,478 | 18,699 | - | - | - | 18,699 |
| Insurance | 19,101 | 7,640 | 26,741 | 5,093 | - | 5,093 | 31,834 | 14,563 | 5,664 | 20,227 | 3,760 | - | 3,760 | 23,987 |
| Membership dues | 956 | 365 | 1,321 | 118 | 75 | 193 | 1,514 | - | - | - | 4,250 | - | 4,250 | 4,250 |
| Occupancy costs | 141,545 | 54,702 | 196,247 | 73,798 | - | 73,798 | 270,045 | 96,834 | 36,956 | 133,790 | 128,289 | - | 128,289 | 262,079 |
| Office, instructional supplies and materials | 180,658 | 64,771 | 245,429 | 1,451 | 1,115 | 2,566 | 247,995 | 67,131 | 14,060 | 81,191 | 6,935 | 305 | 7,240 | 88,431 |
| Postage, printing and copying | 1,900 | 682 | 2,582 | 3,934 | 10 | 3,944 | 6,526 | 4,084 | 113 | 4,197 | 4,294 | 312 | 4,606 | 8,803 |
| Staff development | 6,617 | 1,000 | 7,617 | 3,640 | - | 3,640 | 11,257 | 18,417 | 778 | 19,195 | 2,010 | 897 | 2,907 | 22,102 |
| Student meals | 846 | 431 | 1,277 | - | - | - | 1,277 | 1,939 | - | 1,939 | - | - | - | 1,939 |
| Telephone | 2,336 | 1,097 | 3,433 | 2,129 | - | 2,129 | 5,562 | 6,740 | 1,439 | 8,179 | 720 | - | 720 | 8,899 |
| Travel | 635 | - | 635 | - | 5 | 5 | 640 | - | - | - | 92 | - | 92 | 92 |
| Youth events | 26,325 | 11,782 | 38,107 | - | - | - | 38,107 | 25,632 | 16,791 | 42,423 | - | - | - | 42,423 |
| Miscellaneous expenses | 12,113 | 4,545 | 16,658 | 1,857 | 875 | 2,732 | 19,390 | 1,225 | 571 | 1,796 | 7,331 | 25 | 7,356 | 9,152 |
| Depreciation and amortization | 107,994 | 41,624 | 149,618 | 28,277 | 175 | 28,452 | 178,070 | 37,421 | 13,102 | 50,523 | 8,981 | 131 | 9,112 | 59,635 |
| Total expenses | \$ 2,509,805 | \$ 807,732 | \$ 3,317,537 | \$ 595,393 | \$ 167,015 | \$ 762,408 | \$ 4,079,945 | \$ 1,231,927 | \$ 600,158 | \$ 1,832,085 | \$ 543,531 | \$ 66,384 | \$ 609,915 | \$ 2,442,000 |

See Notes to Financial Statements.

Broome Street Academy Charter High School

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

| | 2013 | 2012 |
|---|-------------------|-------------------|
| Cash Flows From Operating Activities: | | |
| Change in net assets | \$ 767,333 | \$ 635,215 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 178,070 | 59,635 |
| Deferred rent obligation | 19,648 | 96,000 |
| Donated equipment and other assets | - | (17,315) |
| Loss on equipment | - | 4,931 |
| Changes in operating assets and liabilities: | | |
| Increase in restricted cash | (25,054) | (25,045) |
| Increase in grants, contracts and other receivables | (29,462) | (186,199) |
| Increase in prepaid expenses and other assets | (25,564) | (14,868) |
| Increase in refundable advances | 3,947 | 8,440 |
| Increase in accounts payable and accrued expenses | <u>112,444</u> | <u>176,486</u> |
| Net cash provided by operating activities | 1,001,362 | 737,280 |
| Cash Flows Used In Investing Activity - acquisition of property and equipment | (499,229) | (401,267) |
| Net increase in cash | 502,133 | 336,013 |
| Cash: | | |
| Beginning | <u>474,519</u> | <u>138,506</u> |
| Ending | <u>\$ 976,652</u> | <u>\$ 474,519</u> |

See Notes to Financial Statements.

Broome Street Academy Charter High School

Notes to Financial Statements

Note 1. Organization and Principal Business Activity

Broome Street Academy Charter High School ("BSA") is a New York State, not-for-profit educational corporation operating as a charter school in Manhattan, New York. On October 19, 2010, the Board of Regents of the University of the State of New York granted BSA a provisional charter valid for a term of five years and renewable upon expiration. The Charter authorized BSA to provide instruction to students in the ninth through twelfth grades.

BSA's mission is to prepare all students to graduate with Regents diplomas through a rigorous curriculum that is grounded in the principles of positive youth development. BSA is a tuition-free public charter high school devoted to providing students the necessary skills and support to graduate with a Regents diploma, while preparing them for a successful future beyond high school. BSA's admissions policy gives preference to students who are homeless, in foster care, or from low-performing middle schools.

BSA opened in the fall of 2011 with a freshman class. BSA will grow by one grade level over each of the next two years until it hits capacity (ninth through twelfth grade) in the 2014-2015 school year. As of June 30, 2013, BSA has grown to two grade levels as it has now enrolled students into its freshman and sophomore classes. BSA's model merges academic, social, and emotional services to prepare students to graduate with a New York State Regents diploma, providing opportunities for a successful future.

BSA is partnered with, and housed within, The Door - A Center of Alternatives, Inc. ("The Door"), a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code founded in 1972 to provide a full range of integrated services to any adolescent between the ages of 12 and 21. The Door is a leading youth development agency that offers a full range of supportive programming in the areas of health, mental health, career and workforce development, legal services, supportive housing, and arts and recreation. Through the support found at BSA and The Door, New York City's most at-risk students will realize their greatest potential.

Note 2. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation: The financial statements of BSA have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Cash and Concentration of Credit Risk: BSA's cash in bank accounts are maintained with one financial institution, and balances at times may exceed federally insured limits. BSA has not experienced any losses in such accounts.

Grants and Refundable Advances: BSA records cash received on certain government grants and contracts as refundable advances until related services are performed or qualifying expenditures are incurred, at which time it is recognized as revenue.

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

Contributions: Contributed assets are reported at fair value when BSA obtains possession or an unconditional promise to give. BSA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

Broome Street Academy Charter High School

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

A number of volunteers have made a contribution of their time to BSA to develop its academic and other programs and to serve on the board of trustees. The value of this contributed time is not reflected in these financial statements as such services either do not require specialized skills or would not typically be purchased had they not been provided by donation.

Food Services: The New York City Department of Education provides free lunches to a majority of BSA's students. Such costs are not included in these financial statements. BSA covers the cost of lunches for children not entitled to the free lunches.

Property and Equipment and Related Depreciation and Amortization: Property and equipment is recorded at cost. Additions and improvements in excess of \$5,000 with an estimated useful life of more than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease. Property and equipment acquired with certain government contract funds is recorded as expenses pursuant to the terms of the contract.

Accounting Estimates: 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 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 these estimates.

Income Taxes: BSA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). As a nonprofit organization, BSA is subject to unrelated business income tax ("UBIT"), if applicable. For the tax years ended June 30, 2013 and 2012, BSA did not owe any UBIT. Management evaluated BSA's tax positions and concluded that BSA had taken no uncertain tax positions that require adjustments to these financial statements. With a few exceptions, BSA is no longer subject to income tax examinations by U.S. Federal, state or local tax authorities for years before 2011.

Recently Issued Accounting Pronouncements: In October 2012, the Financial Account Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2012-04, *Technical Corrections and Improvements*. The amendments in this update cover a wide range of topics including technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendments in this update will generally be effective for fiscal periods beginning after December 15, 2013 for nonpublic entities, except for amendments in this update where there was no transition guidance and which were immediately effective upon issuance. The impact of adopting ASU 2012-04 on BSA's financial statements for subsequent periods has not yet been determined.

Broome Street Academy Charter High School

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

In October 2012, the FASB issued ASU 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. The amendments in this update require a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the not-for-profit entity. ASU 2012-05 has been adopted by BSA. There were no changes to BSA's financial statements resulting from the adoption of this ASU.

In April 2013, the FASB issued ASU 2013-06, *Services Received from Personnel of an Affiliate*. The amendments in this update require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. The amendments in this update will generally be effective for fiscal periods beginning after June 15, 2014. The impact of adopting ASU 2013-06 on BSA's financial statements for subsequent periods has not yet been determined.

Note 3. Restricted Cash

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

Note 4. Grants, Contracts and Other Receivables

Grants, contracts and other receivables are due in full within one year. Management has evaluated these receivables and concluded that all of these receivables will be collected in full and no allowance for uncollectible account is necessary.

Note 5. Property and Equipment, Net

Property and equipment, at cost, consists of the following as of June 30:

| | <u>2013</u> | <u>2012</u> | <u>Estimated Useful Life</u> |
|--|--------------------------|--------------------------|----------------------------------|
| Furniture and equipment | \$ 97,961 | \$ 33,399 | 3 - 5 years |
| Computer equipment | 302,274 | 229,278 | 3 - 5 years |
| Leasehold improvements | <u>546,848</u> | <u>185,177</u> | Term of lease |
| | <u>947,083</u> | <u>447,854</u> | |
| Less accumulated depreciation and amortization | (237,705) | (59,635) | |
| | <u><u>\$ 709,378</u></u> | <u><u>\$ 388,219</u></u> | |

In June 2013, BSA entered into a construction service contract amounting to \$362,810 for the renovation and construction of additional classroom space and facilities at 555 Broome Street, New York, New York to accommodate an increase in students up to 300 expected to be enrolled in the fall of 2013 as BSA is expanding to the eleventh grade for the first time.

Broome Street Academy Charter High School

Notes to Financial Statements

Note 6. Pension Plan

BSA sponsors a 403(b) thrift plan. All employees are immediately eligible to begin making voluntary salary reduction contributions. Additionally, BSA has both an employer base contribution and an employer matching contribution in the plan.

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

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

During the years ended June 30, 2013 and 2012, BSA contributed \$7,597 and \$6,874, respectively, to the plan.

Note 7. Related Party Transactions

The Door is the sole member of BSA and three members of the board of The Door are also members of the board of BSA.

During the years ended June 30, 2013 and 2012, BSA paid The Door \$213,000 and \$75,000, respectively, under an approved services agreement, to provide administrative support, human resource services, fiscal management and information technology. Such amounts are included as professional and administrative fees in the financial statements. The services agreement expired on June 30, 2013 and was subsequently extended to June 30, 2014.

BSA signed a five-year operating lease agreement, commencing on July 1, 2011, with The Door for classrooms and office space at 121 Avenue of the Americas, New York, NY 10013. This agreement was subsequently amended, effective June 30, 2013. Aggregate minimum rent payable on this agreement is as follows:

Year ending June 30,

| | |
|------|-------------------|
| 2014 | \$ 379,588 |
| 2015 | 275,000 |
| 2016 | <u>275,000</u> |
| | <u>\$ 929,588</u> |

Rent paid to The Door under this lease agreement amounted to \$210,590 and \$130,000 for the years ended June 30, 2013 and 2012, respectively.

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 consist of contributions restricted for fiscal year 2014 and for the renovation and construction of additional classroom space and facilities.

Broome Street Academy Charter High School

Notes to Financial Statements

Note 9. Contingency

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

Note 10. Subsequent Events

BSA evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was October 31, 2013 for these financial statements.



**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**

To the Board of Trustees
Broome Street Academy Charter High School
New York, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Broome Street Academy Charter High School ("BSA"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, 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 31, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BSA'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 BSA's internal control. Accordingly, we do not express an opinion on the effectiveness of BSA'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 BSA'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*.

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.

McGladrey LLP

New York, New York
October 31, 2013

Broome Street Academy Charter High School

**Summary Schedule of Prior Audit Finding
Year Ended June 30, 2013**

2012-01. Accounting and Reporting of Leases, Compensated Absences and In-Kind Contributions

Condition

We noted that deferred lease obligation, accrued vacation and in-kind contributions in the amount of \$96,000, \$100,097 and \$29,714, respectively, were not recognized in the trial balance and draft financial statements initially provided for the prior year audit.

When brought to their attention, management made the necessary adjustments to their accounting records and corrected the 2012 financial statements of BSA to properly recognize the deferred lease obligation and accrued vacation at June 30, 2012, as well as the in-kind contributions received during the year.

Corrective Action Taken by Management

As stated above, the errors noted were corrected by management during the prior year audit. No similar observations were noted in the current year.



Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Trustees
 Broome Street Academy Charter High School
 New York, New York

We have performed the procedures identified below, which were agreed to by the management of Broome Street Academy Charter High School ("BSA") and the New York State Education Department (the "NYSED") solely to assist the specified parties in evaluating BSA's assertion to the NYSED that it has maintained compliance with the requirements of the Charter Schools Program ("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 the specific users of the 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 #1: We will obtain the detail of expenditures incurred for the period under review relating to the CSP grant from BSA's accounting software and reconcile to the grant revenue recorded by BSA. If the CSP grant revenue does not equal the grant expenditures, we will investigate the differences.

Result: We obtained the detail of CSP expenditures as recorded in BSA's general ledger system during the period from July 1, 2012 to June 30, 2013, recomputed the total and found such total (\$295,100) to be correct. We compared such total amount to the amount of CSP grant revenue recorded in BSA's financial statements and found it to be in agreement.

Procedure #2: We will obtain the NYSED-approved CSP grant award information, including budget and any amendments, to determine if the revenue and expenditures recorded for the period appear reasonable.

Result: We obtained an executed and approved copy of the agreement between NYSED and BSA, under Contract No. C401708, and compared the approved amount for the contract period September 14, 2011 to August 31, 2013 to the expenditures recorded by BSA (obtained in Procedure #1) during the period July 1, 2012 to June 30, 2013. Below is the summary of this information.

| Budget Period | Amount Approved | Expenditures Incurred for the Period July 1, 2012 to June 30, 2013 |
|---------------------------------------|-------------------|---|
| September 14, 2011 to August 31, 2012 | \$ 338,000 | \$ 85,779 |
| September 1, 2012 to August 31, 2013 | 262,000 | 209,321 |
| Total | \$ 600,000 | \$ 295,100 |

Procedure #3: We will select a sample of expenditures from the detail obtained in Procedure #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. (See nonregulatory guidance on the CSP grant at <http://www.p12.nysed.gov/psc/grants.html>)
 - ii. Determine if the expenditure falls into an approved budget category.
 - iii. Determine if the expenditure was charged to the appropriate fiscal period.

Result: We haphazardly selected 10 sample items from payroll and 10 sample items from other expenses categories. We tested each sample item for the attributes described in Procedure #3(c) above and noted no exceptions.

Procedure #4: We will obtain FS-25 form(s) submitted to the NYSED during the period under review and perform the following:

- a. Trace expenditures selected in Procedure #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, and 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 select one FS-25 and determine if funds were expended within 1 month following the date of the request.

Result: We traced each of the 20 sample items in Procedure #3 above to the corresponding Form FS-25. We compared the date of the invoice or the payroll date to the date of the Form FS-25 and found that all of the 20 sample items have been incurred or expended by BSA before these were reported and submitted for reimbursement on Form FS-25.

We noted that BSA's Form FS-25 included amounts on Line 4 (Cash Expenditures Anticipated During Next Month). We selected the Form FS-25 for February 2013, and noted that Line 4 indicated \$29,549 as Cash Month. BSA, however, only had \$19,371 of expenditures in the following Expenditure Anticipated During Next Month. Discussions with BSA's CFO disclosed that, to facilitate the preparation of Form FS-25, BSA determines the amount anticipated for next month by dividing the balance of the grant amount for the budget period by the number of months remaining in the budget period.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on BSA'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 Broome Street Academy Charter High School and the New York State Education Department, and it is not intended to be, and should not be, used by anyone other than these specified parties.



New York, New York
October 31, 2013