

BRONX CHARTER SCHOOL FOR EXCELLENCE

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2021

(With Comparative Totals for 2020)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Bronx Charter School for Excellence

Report on the Financial Statements

We have audited the accompanying financial statements of Bronx Charter School for Excellence which comprise the statement of financial position as of June 30, 2021, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Excellence as of June 30, 2021, 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 Excellence's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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, 2021 on our consideration of Bronx Charter School for Excellence's internal control over financial reporting and on 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bronx Charter School for Excellence's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 25, 2021

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

(With Comparative Totals for 2020)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 8,407,848	\$ 17,322,873
Grants and contracts receivable	1,211,156	762,754
Investments	15,258,709	4,820
Prepaid expenses	578,652	413,517
Due from related parties	<u>1,738,240</u>	<u>887,116</u>
TOTAL CURRENT ASSETS	27,194,605	19,391,080
 <u>PROPERTY AND EQUIPMENT, net</u>	 32,361,764	 31,550,369
 <u>OTHER ASSETS</u>		
Cash in escrow	225,000	225,000
Security deposits	598,504	68,504
Investments - restricted	<u>2,998,162</u>	<u>2,897,745</u>
	<u>3,821,666</u>	<u>3,191,249</u>
TOTAL ASSETS	<u>\$ 63,378,035</u>	<u>\$ 54,132,698</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current portion of bonds payable	\$ 545,000	\$ 525,000
Accounts payable	379,966	124,245
Accrued expenses	381,974	346,627
Accrued payroll and benefits	2,703,306	2,131,125
Deferred revenue	64,931	49,782
Management fees due to charter management organization	<u>95,049</u>	<u>318,720</u>
TOTAL CURRENT LIABILITIES	4,170,226	3,495,499
 <u>OTHER LIABILITIES</u>		
Bonds payable, net of unamortized bond issuance costs of \$833,470 and \$911,535, respectively	21,424,244	21,981,481
Reserve for payment of debt service	1,540,000	1,540,000
Deferred lease liability	<u>1,488,136</u>	<u>1,018,372</u>
	<u>24,452,380</u>	<u>24,539,853</u>
TOTAL LIABILITIES	28,622,606	28,035,352
 <u>NET ASSETS, without donor restrictions</u>	 <u>34,755,429</u>	 <u>26,097,346</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 63,378,035</u>	<u>\$ 54,132,698</u>

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2021
 (With Comparative Totals for 2020)

	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenue, gains and other support:		
Public school district:		
Resident student enrollment	\$ 31,560,337	\$ 27,315,182
Students with disabilities	2,809,727	1,377,588
Grants and contracts:		
State and local	132,285	138,051
Federal - Title and IDEA	1,273,973	1,127,911
Federal - other	1,235,040	382,948
Food Service/Child Nutrition Program	210,800	266,461
NYC DoE Rental Assistance	<u>3,499,172</u>	<u>1,821,587</u>
	TOTAL REVENUE, GAINS AND OTHER SUPPORT	
	40,721,334	32,429,728
Expenses:		
Program:		
Regular education	24,065,246	21,308,912
Special education	<u>5,430,611</u>	<u>4,233,336</u>
	TOTAL PROGRAM SERVICES	
	29,495,857	25,542,248
Management and general	2,579,876	1,813,864
Fundraising and special events	<u>-</u>	<u>580</u>
	TOTAL OPERATING EXPENSES	
	<u>32,075,733</u>	<u>27,356,692</u>
	SURPLUS FROM SCHOOL OPERATIONS	
	8,645,601	5,073,036
Support and other revenue:		
Contributions		
Foundations	525	10,000
Corporations	13	-
Individuals	-	2,750
Contributed services	-	30,323
Investment income	14,248	94,025
Miscellaneous (expense) income	<u>(2,304)</u>	<u>12,370</u>
	TOTAL SUPPORT AND OTHER REVENUE	
	<u>12,482</u>	<u>149,468</u>
	CHANGE IN NET ASSETS	
	8,658,083	5,222,504
Net assets at beginning of year	<u>26,097,346</u>	<u>20,874,842</u>
	NET ASSETS AT END OF YEAR	
	<u>\$ 34,755,429</u>	<u>\$ 26,097,346</u>

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	No. of Positions	Year ended June 30,					Total	Total
		2021			2020			
		Regular Education	Special Education	Sub-total	Supporting Services Management and general	Total		
Personnel Services Costs:								
Administrative staff personnel	35	\$ 2,341,319	\$ 780,440	\$ 3,121,759	\$ 780,440	\$ 3,902,199	\$ 3,777,747	
Instructional personnel	146	7,365,396	1,443,605	8,809,001	-	8,809,001	7,866,490	
Non-instructional personnel	4	48,777	24,389	73,166	48,777	121,943	101,432	
Total salaries and wages	185	9,755,492	2,248,434	12,003,926	829,217	12,833,143	11,745,669	
Payroll taxes and employee benefits		2,734,474	749,830	3,484,304	643,328	4,127,632	3,291,389	
Professional development		90,770	20,160	110,930	7,012	117,942	63,443	
Legal fees		-	-	-	14,305	14,305	59,966	
Audit/accounting fees		-	-	-	40,599	40,599	43,216	
Professional services		1,690,597	288,028	1,978,625	57,817	2,036,442	1,176,864	
Student and staff recruitment		76,741	16,318	93,059	5,288	98,347	24,000	
Curriculum and classroom supplies		384,830	52,556	437,386	-	437,386	844,895	
Office expenses		50,868	11,573	62,441	4,091	66,532	290,085	
Technology		192,232	43,716	235,948	15,264	251,212	95,418	
Food service		128,723	13,914	142,637	-	142,637	249,628	
Student services		6,880	726	7,606	-	7,606	20,239	
Insurance		-	-	-	140,898	140,898	140,733	
Building and land rent		3,008,875	754,532	3,763,407	266,746	4,030,153	2,635,435	
Utilities		168,888	37,451	206,339	13,042	219,381	211,640	
Non-capitalized equipment and furnishings		113,296	25,511	138,807	8,888	147,695	104,749	
Repairs and maintenance		237,773	52,824	290,597	18,446	309,043	277,016	
Depreciation and amortization		1,112,638	139,080	1,251,718	139,080	1,390,798	1,190,046	
Interest expense		872,783	189,864	1,062,647	64,490	1,127,137	1,150,298	
Management fees		3,413,722	780,510	4,194,232	273,876	4,468,108	3,698,128	
Other		25,664	5,584	31,248	37,489	68,737	43,835	
		\$ 24,065,246	\$ 5,430,611	\$ 29,495,857	\$ 2,579,876	\$ 32,075,733	\$ 27,356,692	

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 8,658,083	\$ 5,222,504
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	1,390,798	1,190,046
Bond premium amortization	(90,302)	(92,016)
Amortization of bond issuance costs included in interest expense	78,065	82,539
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	(448,402)	180,437
Prepaid expenses	(165,135)	(163,418)
Due from related parties	(851,124)	(588,313)
Accounts payable	118,079	(391,819)
Accrued expenses	35,347	(228,855)
Accrued payroll and benefits	572,181	1,036,140
Deferred revenue	15,149	(29,403)
Management fees due to charter management organization	(223,671)	(413,132)
Deferred lease liability	469,764	321,155
NET CASH PROVIDED FROM OPERATING ACTIVITIES	9,558,832	6,125,865
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(2,064,551)	(679,890)
Security deposits	(530,000)	(59,319)
Proceeds from sales of investments	-	201,656
Purchases of investments	(15,354,306)	(75,114)
NET CASH USED FOR INVESTING ACTIVITIES	(17,948,857)	(612,667)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayments of bonds payable	(525,000)	(505,000)
NET CASH USED FOR FINANCING ACTIVITIES	(525,000)	(505,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(8,915,025)	5,008,198
Cash and cash equivalents and restricted cash at beginning of year	17,547,873	12,539,675
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 8,632,848</u>	<u>\$ 17,547,873</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2021
(With Comparative Totals for 2020)

	<u>Year ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	<u>\$ 1,054,323</u>	<u>\$ 1,072,809</u>
<u>NON-CASH OPERATING AND INVESTING ACTIVITIES</u>		
Purchases of property and equipment included in accounts payable	<u>\$ 137,642</u>	<u>\$ 19,317</u>
Reconciliation of cash and cash equivalents and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 8,407,848	\$ 17,322,873
Cash in escrow	<u>225,000</u>	<u>225,000</u>
	<u>\$ 8,632,848</u>	<u>\$ 17,547,873</u>

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(With Comparative Totals for 2020)

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

The Charter School

Bronx Charter School for Excellence (the “Charter School”) is an educational corporation operating as a charter school in the borough of the Bronx, New York. On April 29, 2003, the Board of Regents of the University of the State of New York granted Bronx Charter School for Excellence (“Bronx Excellence 1”) a provisional charter valid for a term of five years and renewable upon expiration. In March 2009, January 2014 and March 2019, Bronx Excellence 1 was awarded a full-term, five-year charter renewal through July 31, 2024. Bronx Excellence 1 was established to prepare young people from New York City to compete for admission to, and succeed in, top public, private and parochial schools by cultivating their intellectual, artistic, social, emotional and ethical development. Bronx Excellence 1 offers a challenging and rigorous academic curriculum which, at the earliest of grades, has an eye towards college preparation for grades first through eighth.

On November 2, 2015, 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 2016 fiscal year, the Charter School added Bronx Charter School for Excellence 2 (“Bronx Excellence 2”) under its expanded charter. Bronx Excellence 2 had the authority to operate through July 31, 2021. In March 2021, Bronx Excellence 2 was awarded a full-term, five-year charter renewal through July 31, 2026. Bronx Excellence 2 was established to provide its students 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.

On March 24, 2017, the Board of Regents of the University of the State of New York amended the charter agreement permitting an additional 3 schools to be opened by the Charter School, Bronx Charter School for Excellence 3, 4, and 5. Bronx Excellence 3 opened in September 2017 and has authority to operate through July 31, 2022. Bronx Excellence 4 opened in September 2018 and has authority to operate through June 2023. Bronx Excellence 5 opened in September 2019 and has authority to operate through June 2024. These charter schools were established to provide its students 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 Bronx Excellence 1, Bronx Excellence 2, Bronx Excellence 3, Bronx Excellence 4 and Bronx Excellence 5 (collectively referred to as the “Charter School”). All intercompany balances and transactions have been eliminated in the accompanying financial statements.

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

The assets, liabilities, activities, and net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Charter School.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had no net assets with donor restrictions at June 30, 2021 or 2020.

Revenue and support recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Charter School records substantially all revenues over time as follows:

Public school district revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns public school district revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the Charter School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

Rental assistance

Facilities rental assistance funding is provided by the New York City Dept of Education (NYCDOE) to qualifying charter schools located in the five boroughs of NYC. In order to receive rental assistance funding, a charter school must have commenced instruction or added grade levels in the 2014-15 school year or thereafter, and go through a space request process with the NYCDOE. If NYCDOE is not able to provide adequate space, the charter school can become eligible for rental assistance. Rental assistance is calculated as the lesser of 30% of the per-pupil tuition rate for NYC times the number of students enrolled, or actual total rental costs. As rental assistance is based on the number of students enrolled, revenue is recognized throughout the year as educational programming is provided to students.

The following table summarizes contract balances at their respective statement of financial position dates:

	<u>June 30,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivable (gross of allowance for doubtful accounts)	\$ 79,176	\$ 337,533	\$ 12,362

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

All donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position and amounted to \$64,931 and \$49,782 at June 30, 2021 and 2020, respectively. The Charter School received cost-reimbursement grants of approximately \$506,500 and \$57,600 that have not been recognized at June 30, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

Cash and cash equivalents

Cash and cash equivalent 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 instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents consist of money market accounts. In the normal course of business, the cash 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.

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow was \$225,000 at June 30, 2021 and 2020.

Grants and contracts receivable

Grants and contracts 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, 2021 or 2020.

Property and equipment

Property and equipment are recorded at cost. The Charter School capitalizes all purchases of fixed assets in excess of \$5,000. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from 4 to 39 years. Prior to the bond issuance (Note H), leasehold improvements at Bronx Excellence 1 were amortized over the shorter of the estimated useful life of the asset or the remaining term of the related lease. These improvements are continuing to be amortized over the originally calculated life. All other leasehold improvements are being amortized over the shorter of the estimated useful life of the asset or the remaining term of the related lease.

Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflected in operations.

Bond issuance costs

Bond issuance costs, which consist of deferred financing charges, are stated at cost and are amortized over the term of the bonds which vary from 5 to 30 years through various dates up to April 2043. The Charter School shows bond issuance costs as a deduction from the carrying amount of bonds payable, net on the accompanying statement of financial position.

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

Deferred lease liability

The Charter School leases certain facilities. The leases contain pre-determined fixed escalation of the base rent. In accordance with GAAP, the Charter School recognizes the related rent expense on a straight-line basis over the lease term and records the difference between the recognized rental expense and the amounts payable under the leases as a deferred lease liability.

Investments

Investments consist of cash equivalents and are measured at fair value. Restricted investments consist of cash equivalents held for debt service and capitalized interest.

Investment income includes interest, recorded on an accrual basis, dividends, net realized gains and losses, and net unrealized gains and losses, resulting from the change in prevailing market value of investments. Purchase and sales of investments are recorded on a trade-date basis.

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 files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2018 through June 30, 2021 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. In addition, the Charter School received donated transportation services, metro cards, funding for free and reduced-cost breakfasts, lunches and snacks, special education services and physical, occupational, and speech therapy that was also provided for the students from the local district. The Charter School is not able to determine a value for these services.

The Charter School received legal services which were valued at \$25,130 for the year ended June 30, 2020. There were no contributed legal services for the year ended June 30, 2021. These amounts are included in contributed goods and services in the accompanying statement of activities and changes in net assets.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution.

The Charter School received contributed property and equipment which was valued at \$5,193 for the year ended June 30, 2020. There were no contributed property and equipment received for the year ended June 30, 2021. These amounts are included contributed goods and services in the accompanying statement of activities and changes in net assets.

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$98,000 and \$24,000 for the years ended June 30, 2021 and 2020, respectively.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

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

Comparatives for year ended June 30, 2020

The financial statements include certain prior year summarized comparative information in total but not by 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, 2020, from which the summarized information was derived.

New accounting pronouncements

Leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

Gifts-in-kind

In September 2020, the FASB issued a new accounting update to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind. The update requires not-for-profit entities to present contributed nonfinancial assets separately on the statement of activities, apart from contributions of cash and other financial assets. In addition, the update requires not-for-profit entities to disclose in the notes to the financial statements a breakout of the different types of gifts-in-kind recognized, any donor restrictions associated with the gift, the valuation technique(s) used to arrive at the fair value measure, whether or not the gift-in-kind was monetized, and any policies on monetization. The update is effective for fiscal years beginning after June 15, 2021 and will be applied on a retrospective basis. The Charter School is currently evaluating the provisions of this update to determine the impact it will have on the Charter School's financial statements.

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 with 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, 2021, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, except as disclosed in Note C.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash and investment accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of teaching, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a surplus budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash and shows positive cash generated by operations for fiscal year 2021 and 2020.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2021 and 2020:

	June 30,	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 8,407,848	\$ 17,322,873
Grants and contracts receivable	1,211,156	762,754
Investments	15,258,709	4,820
Due from related parties	<u>1,738,240</u>	<u>887,116</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 26,615,953</u>	<u>\$ 18,977,563</u>

NOTE C: RELATED PARTY TRANSACTIONS

Excellence Community Schools, Inc. ("Excellence"), a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Charter School. The Charter School entered into an educational services agreement with Excellence effective July 1, 2016 through June 30, 2021 whereby Excellence will provide the Charter School with services related to education and instruction, business operations, human resources and employment. In turn, Excellence shall be paid a fee equal to 13% of all public revenues received by the Charter School during the fiscal year. In October 2021, an addendum to this agreement was signed extending the agreement through December 31, 2021 and increasing the fee to 15% of all public revenues received by the Charter School. The addendum has an effective date of July 1, 2021. The Charter School and Excellence intend to renew this agreement. The Charter School incurred fees of approximately \$4,468,000 and \$3,698,000 for the years ended June 30, 2021 and 2020, respectively.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE C: RELATED PARTY TRANSACTIONS, Cont'd

At June 30, 2021 and 2020, approximately \$95,000 and \$319,000, respectively, of fees were accrued in management fees due to charter management organization on the accompanying statement of financial position.

Approximately \$818,000 and \$708,000 is due to the Charter School from Excellence for expenses that are to be reimbursed by Excellence after June 30, 2021 and 2020, respectively. Approximately \$819,000 and \$118,000 of grant funding is due from Excellence to the Charter School at June 30, 2021 and 2020, respectively. These amounts are included in due from related parties on the accompanying statement of financial position at June 30, 2021 and 2020. In addition, the Charter School has formalized sub-lease agreements for four facilities with Excellence. See Note D for more details.

Stamford Charter School for Excellence (“Stamford”) is an educational corporation that operates as a charter school in Stamford, Connecticut. Approximately \$101,000 is due to the Charter School from Stamford for expenses that are to be reimbursed by Stamford after June 30, 2021. Approximately \$61,000 is due to the Charter School from Stamford for expenses that are to be reimbursed by the Charter School subsequent to June 30, 2020. These amounts are included in due from related parties on the accompanying statement of financial position at June 30, 2021 and 2020.

NOTE D: SCHOOL FACILITIES

The Charter School leases the facility for the Bronx Excellence 2 location. Effective July 1, 2016, the Charter School assigned the lease to Excellence. The sub-lease agreement between the Charter School and Excellence was finalized February 7, 2018 under the same terms of the original lease agreement. The lease term is through June 30, 2021. This lease has converted to a month-to-month arrangement and an extension of this lease agreement is under negotiation. The Charter School’s base rent for the year ended June 30, 2021 was approximately \$30,100 per month.

In September 2017, the Charter School commenced the process to enter into a sub-lease agreement with Excellence for the facility for the Bronx Excellence 3 location. The sub-lease agreement was finalized as of February 7, 2018. The term of the lease began August 9, 2017 and goes through July 31, 2032. For the year ended June 30, 2020, Bronx Excellence 4 was co-located with Bronx Excellence 3 at this location. The Charter School’s base rent for the year ended June 30, 2021 was approximately \$89,800 per month. The lease has escalating payments throughout the term.

In July 2019, the Charter School entered into a sub-lease agreement with a single member LLC related to Excellence for the facility for the Bronx Excellence 5 location. The term of the lease began July 1, 2019 and goes through June 30, 2029. The Charter School’s base rent for the year ended June 30, 2021 was approximately \$88,700 per month. The lease has escalating payments throughout the term. The Charter School paid \$59,319 of security deposits relative to this agreement.

In August 2020, the Charter School entered into a sub-lease agreement with a single member LLC related to Excellence for the facility for the Bronx Excellence 4 location. The term of the lease begins July 1, 2020 and goes through June 30, 2040. The base rent is approximately \$88,000 per month. The lease has escalating payments throughout the term. The Charter School paid \$530,000 of security deposits relative to this agreement.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE D: SCHOOL FACILITIES, Cont'd

Total rental expense was approximately \$4,030,000 and \$2,635,000 for the years ended June 30, 2021 and 2020, respectively.

Future expected minimum payments of these leases are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 3,326,000
2023	3,422,000
2024	3,506,000
2025	3,592,000
2026	3,680,000
Thereafter	<u>31,646,000</u>
	<u>\$ 49,172,000</u>

The lease signed between a single member LLC related to Excellence and a third party for the Bronx Excellence 5 location is guaranteed by the Charter School. The future minimum payments on this agreement through June 2029 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 733,000
2023	751,000
2024	770,000
2025	789,000
2026	809,000
Thereafter	<u>2,550,000</u>
	<u>\$ 6,402,000</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Land	\$ 914,772	\$ 914,772
Buildings	33,792,666	33,620,127
Furniture and fixtures	686,307	590,260
Computers and equipment	2,140,542	1,392,264
Software	12,661	12,661
Leasehold improvements	2,319,812	1,162,964
Construction in progress	28,481	-
	<u>39,895,241</u>	<u>37,693,048</u>
Less accumulated depreciation and amortization	<u>7,533,477</u>	<u>6,142,679</u>
	<u>\$ 32,361,764</u>	<u>\$ 31,550,369</u>

No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Total depreciation and amortization expense was \$1,390,798 and \$1,190,046 for the years ended June 30, 2021 and 2020, respectively.

NOTE F: OPERATING LEASES AND COMMITMENTS

The Charter School leases office equipment under non-cancelable lease agreements at a monthly cost of approximately \$12,300 that will expire at various dates through December 2026.

The future minimum payments on these agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2022	\$ 118,000
2023	89,000
2024	53,000
2025	14,000
2026	14,000
Thereafter	7,000
	<u>\$ 295,000</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE G: FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques to measure the fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2021 or 2020 :

Money market funds: Fair value equals cost.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Charter School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE G: FAIR VALUE MEASUREMENTS, Cont'd

The following table sets forth by level, within the fair value hierarchy; the Charter School's investment assets measured at fair value on a recurring basis as of June 30, 2021 and 2020:

	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
<u>June 30, 2021:</u>				
Money market	<u>\$ 18,256,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,256,871</u>
 <u>June 30, 2020:</u>				
Money market	<u>\$ 2,902,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,902,565</u>

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the risk associated with investment securities, it is at least reasonably possible that changes in risk could materially affect the accompanying financial statements.

NOTE H: BONDS PAYABLE

During April 2013, Build NYC Resource Corporation issued \$23,310,000 in principal amount of Tax-Exempt Fixed Rate Revenue Bonds ("Series A") and \$690,000 in principal amount of Taxable Fixed Rate Revenue Bonds ("Series B"). Proceeds from the sale included a premium of \$2,111,744, which is being amortized over the life of the bond issue. The proceeds of the bonds were made available to the Charter School pursuant to a special agreement with Build NYC Resource Corporation. The remaining proceeds were used to construct additional schools and for renovation of the current school facilities.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE H: BONDS PAYABLE, Cont'd

Revenue bonds outstanding as of June 30, 2021 and 2020:

Year	Series A		Series B		Total
	Principal	Interest Rate	Principal	Interest Rate	
Bond payable	\$ 21,940,000	4% - 5.5%	\$ -	5%	\$ 21,940,000
Unamortized bond premium	1,478,016		-		1,478,016
Unamortized bond issuance costs	<u>(911,535)</u>		<u>-</u>		<u>(911,535)</u>
Balance at June 30, 2020	<u>\$ 22,506,481</u>		<u>\$ -</u>		<u>\$ 22,506,481</u>
2022	\$ 545,000	4%	\$ -		\$ 545,000
2023	570,000	4%	-		570,000
2024	590,000	4%	-		590,000
2025	620,000	4%	-		620,000
2026	655,000	4%	-		655,000
Thereafter	<u>18,435,000</u>	4% - 5.5%	<u>-</u>		<u>18,435,000</u>
Bond payable	21,415,000		-		21,415,000
Unamortized bond premium	1,387,714		-		1,387,714
Unamortized bond issuance costs	<u>(833,470)</u>		<u>-</u>		<u>(833,470)</u>
Balance at June 30, 2021	<u>\$ 21,969,244</u>		<u>\$ -</u>		<u>\$ 21,969,244</u>

Principal payments for the Series A bonds are due annually, as indicated, on April 1. Payments of \$525,000 and \$505,000 were made during the years ended June 30, 2021 and 2020 toward the Series A bonds, respectively.

The Series A bonds are subject to optional redemption, in whole or in part, at the option of the Issuer at the request of the Charter School on April 1, 2023 or any business day thereafter. The bonds maturing in 2033 and 2043 are subject to mandatory sinking fund installments beginning in 2024 and 2034, respectively.

The Series B bonds had a stated rate and maturity of 5% in 2018. The bonds were subject to mandatory sinking fund installments beginning in 2016. The Series B Bonds were repaid prior to June 30, 2019.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE H: BONDS PAYABLE, Cont'd

The bonds are secured by the assets and certain revenue of the Charter School. Additionally, the Charter School Financing Partnership, an organization established to provide access to secondary market financing for charter schools that serve disadvantaged students and communities, has provided funds amounting to \$1,540,000 to be held by the trustee in a Debt Reserve account as additional security. This amount is included in restricted investments in the statement of financial position. The Charter School is obligated to pay an annual fee equal to 0.14% of the bonds outstanding principal amount as of March 31st each year, for the use of these funds as security. The funds are to be repaid to the Charter School Financing Partnership upon expiration of the bonds.

In accordance with the loan agreement, the proceeds from the sale of the revenue bonds were placed in a Project Fund, maintained by U.S. Bank. The trustee is to use the monies in this fund to make payments to or on behalf of the Charter School to pay for the costs of the project upon receipt of written requisitions. Any monies remaining in the Project Fund will be transferred to the Redemption Account of the Bond Fund, to be applied by the trustees towards the redemption of the bonds. At June 30, 2021 and 2020, the unexpended balance was \$78,945 and \$78,941, which is included in restricted investments.

The Charter School is subject to certain loan covenants which require the Charter School to maintain specified cash on hand, debt service coverage ratio and limitations on further indebtedness. The Charter School is in compliance with all loan covenants as of June 30, 2021 and 2020.

Total issuance costs of approximately \$1,621,000 are being amortized over the life of the bonds. Amortization expense of \$78,065 and \$82,539 was recorded and is recognized in interest expense for the years ended June 30, 2021 and 2020, respectively. The Charter School incurred net interest expense of \$1,049,072 and \$1,067,759 for the years ended June 30, 2021 and 2020, respectively which is recognized in the statement of activities and changes in net assets.

NOTE I: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering all eligible employees. The Charter School matches up to 5% of each employee's annual compensation not to exceed the employee's salary deferral amount. The Charter School may also elect to make additional contributions to the plan on a discretionary basis. The Charter School made contributions of approximately \$390,100 and \$329,700 for the years ended June 30, 2021 and 2020, respectively.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE J: 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 K: CONCENTRATIONS

At June 30, 2021, approximately 69% of grants and contracts receivable are due from the Federal government, relating to certain grants. For the year ended June 30, 2021, 84% 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.

At June 30, 2020, approximately 96% of grants and contracts receivables are due from the Federal government, relating to certain grants. For the year ended June 30, 2020, 88% 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 L: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Undesignated	\$ 25,902,909	\$ 18,593,458
Invested in property and equipment, net of related debt	<u>8,852,520</u>	<u>7,503,888</u>
	<u>\$ 34,755,429</u>	<u>\$ 26,097,346</u>

NOTE M: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2021

(With Comparative Totals for 2020)

NOTE N: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$508,787 of revenue relative to ESSER grants during the year ended June 30, 2021.

NOTE O: RENEWAL PROCESS

Bronx Excellence 3 is currently in the process of renewing its charter by the New York State Board of Regents. The charter currently expires July 31, 2022. The renewal process includes review by the State University of New York Charter Schools Institute (CSI) of various operational and governance aspects, including fiscal health and internal controls, board governance, and academic performance. Upon review of the application and results, CSI will determine if the charter should be renewed and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of Bronx Excellence 3 expects the charter to be renewed.

BRONX CHARTER SCHOOL FOR EXCELLENCE

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Bronx Charter School for Excellence

We have audited the financial statements of Bronx Charter School for Excellence as of and for the year ended June 30, 2021, and have issued our report thereon dated October 25, 2021, 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, 2021, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 25, 2021

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF ACTIVITIES BY CHARTER

YEAR ENDED JUNE 30, 2021

	<u>Bronx Excellence 1</u>	<u>Bronx Excellence 2</u>	<u>Bronx Excellence 3</u>	<u>Bronx Excellence 4</u>	<u>Bronx Excellence 5</u>	<u>Total</u>
Revenue, gains and other support:						
Public school district:						
Resident student enrollment	\$ 13,133,602	\$ 5,852,601	\$ 6,295,322	\$ 3,819,506	\$ 2,459,306	\$ 31,560,337
Students with disabilities	1,077,068	505,645	330,616	409,307	487,091	2,809,727
Grants and contracts:						
State and local	62,485	23,754	25,079	13,778	7,189	132,285
Federal - Title and IDEA	533,426	234,381	214,496	177,905	113,765	1,273,973
Federal - other	490,822	88,801	303,404	173,492	178,521	1,235,040
Food service / Child nutrition program	210,800	-	-	-	-	210,800
NYC DoE Rental Assistance	-	626,899	1,075,226	1,060,000	737,047	3,499,172
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>15,508,203</u>	<u>7,332,081</u>	<u>8,244,143</u>	<u>5,653,988</u>	<u>3,982,919</u>	<u>40,721,334</u>
Expenses:						
Program:						
Regular education	10,402,868	4,035,235	3,835,211	3,647,729	2,144,203	24,065,246
Special education	2,142,414	929,844	811,018	934,091	613,244	5,430,611
TOTAL PROGRAM EXPENSES	<u>12,545,282</u>	<u>4,965,079</u>	<u>4,646,229</u>	<u>4,581,820</u>	<u>2,757,447</u>	<u>29,495,857</u>
Management and general	1,023,873	483,540	392,903	414,052	265,508	2,579,876
TOTAL OPERATING EXPENSES	<u>13,569,155</u>	<u>5,448,619</u>	<u>5,039,132</u>	<u>4,995,872</u>	<u>3,022,955</u>	<u>32,075,733</u>
SURPLUS FROM SCHOOL OPERATIONS	1,939,048	1,883,462	3,205,011	658,116	959,964	8,645,601
Support and other revenue:						
Contributions						
Foundations	525	-	-	-	-	525
Corporations	13	-	-	-	-	13
Investment income	14,248	-	-	-	-	14,248
Miscellaneous (expense) income	(2,304)	-	-	-	-	(2,304)
TOTAL SUPPORT AND OTHER REVENUE	<u>12,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,482</u>
CHANGE IN NET ASSETS	1,951,530	1,883,462	3,205,011	658,116	959,964	8,658,083
Net assets (deficiency) at beginning of year	17,041,595	5,133,262	2,990,266	1,633,119	(700,896)	26,097,346
NET ASSETS AT END OF YEAR	<u>\$ 18,993,125</u>	<u>\$ 7,016,724</u>	<u>\$ 6,195,277</u>	<u>\$ 2,291,235</u>	<u>\$ 259,068</u>	<u>\$ 34,755,429</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 1

YEAR ENDED JUNE 30, 2021

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Sub-total	Management and general	
Personnel Services Costs:						
Administrative staff personnel	14	\$ 952,437	\$ 317,479	\$ 1,269,916	\$ 317,479	\$ 1,587,395
Instructional personnel	62	3,344,206	617,206	3,961,412	-	3,961,412
Total salaries and wages	76	4,296,643	934,685	5,231,328	317,479	5,548,807
Payroll taxes and employee benefits		1,152,348	303,826	1,456,174	259,397	1,715,571
Professional development		63,038	13,714	76,752	4,658	81,410
Legal fees		-	-	-	5,827	5,827
Audit/accounting fees		-	-	-	10,870	10,870
Professional services		940,977	145,177	1,086,154	29,345	1,115,499
Student and staff recruitment		25,943	5,015	30,958	1,493	32,451
Curriculum and classroom supplies		159,271	17,216	176,487	-	176,487
Office expenses		22,330	4,857	27,187	1,650	28,837
Technology		88,529	19,087	107,616	6,425	114,041
Food service		128,723	13,914	142,637	-	142,637
Student services		7,202	779	7,981	-	7,981
Insurance		-	-	-	64,231	64,231
Utilities		95,706	20,820	116,526	7,073	123,599
Non-capitalized equipment and furnishings		69,868	15,199	85,067	5,163	90,230
Repairs and maintenance		146,658	31,904	178,562	10,837	189,399
Depreciation and amortization		876,684	109,586	986,270	109,586	1,095,856
Interest expense		871,427	189,948	1,061,375	65,762	1,127,137
Management fees		1,430,499	311,188	1,741,687	105,700	1,847,387
Other		27,022	5,499	32,521	18,377	50,898
		\$ 10,402,868	\$ 2,142,414	\$ 12,545,282	\$ 1,023,873	\$ 13,569,155

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 2

YEAR ENDED JUNE 30, 2021

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Sub-total	Management and general	
Personnel Services Costs:						
Administrative staff personnel	5	\$ 482,011	\$ 160,670	\$ 642,681	\$ 160,670	\$ 803,351
Instructional personnel	31	1,380,317	263,325	1,643,642	-	1,643,642
Non-instructional personnel	2	19,338	9,670	29,008	19,338	48,346
Total salaries and wages	38	1,881,666	433,665	2,315,331	180,008	2,495,339
Payroll taxes and employee benefits		562,174	154,513	716,687	137,491	854,178
Professional development		15,341	3,493	18,834	1,324	20,158
Audit/accounting fees		-	-	-	11,421	11,421
Professional services		186,925	36,603	223,528	10,080	233,608
Student and staff recruitment		18,134	4,079	22,213	1,514	23,727
Curriculum and classroom supplies		77,390	11,044	88,434	-	88,434
Office expenses		14,385	3,275	17,660	1,241	18,901
Technology		33,652	7,661	41,313	2,903	44,216
Student services		46	6	52	-	52
Insurance		-	-	-	21,308	21,308
Building and land rent		441,390	100,491	541,881	38,081	579,962
Utilities		31,561	7,185	38,746	2,723	41,469
Non-capitalized equipment and furnishings		16,506	3,758	20,264	1,424	21,688
Repairs and maintenance		48,460	11,033	59,493	4,181	63,674
Depreciation and amortization		78,528	9,816	88,344	9,816	98,160
Management fees		629,077	143,222	772,299	54,273	826,572
Other		-	-	-	5,752	5,752
		<u>\$ 4,035,235</u>	<u>\$ 929,844</u>	<u>\$ 4,965,079</u>	<u>\$ 483,540</u>	<u>\$ 5,448,619</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 3

YEAR ENDED JUNE 30, 2021

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Sub-total	Management and general	
Personnel Services Costs:						
Administrative staff personnel	6	\$ 340,367	\$ 113,456	\$ 453,823	\$ 113,456	\$ 567,279
Instructional personnel	23	1,209,857	214,402	1,424,259	-	1,424,259
Non-instructional personnel	<u>1</u>	<u>8,712</u>	<u>4,355</u>	<u>13,067</u>	<u>8,710</u>	<u>21,777</u>
Total salaries and wages	30	1,558,936	332,213	1,891,149	122,166	2,013,315
Payroll taxes and employee benefits		488,331	127,576	615,907	113,797	729,704
Professional development		6,573	1,390	7,963	481	8,444
Audit/accounting fees		-	-	-	6,286	6,286
Professional services		242,276	37,976	280,252	8,369	288,621
Student and staff recruitment		15,743	2,627	18,370	658	19,028
Curriculum and classroom supplies		70,270	7,576	77,846	-	77,846
Office expenses		6,219	1,315	7,534	455	7,989
Technology		33,475	7,080	40,555	2,450	43,005
Insurance		-	-	-	25,395	25,395
Building and land rent		610,418	129,098	739,516	44,674	784,190
Utilities		27,711	5,861	33,572	2,028	35,600
Non-capitalized equipment and furnishings		12,868	2,721	15,589	942	16,531
Repairs and maintenance		26,533	5,611	32,144	1,942	34,086
Depreciation and amortization		65,361	8,170	73,531	8,170	81,701
Management fees		670,497	141,804	812,301	49,071	861,372
Other		<u>-</u>	<u>-</u>	<u>-</u>	<u>6,019</u>	<u>6,019</u>
		<u>\$ 3,835,211</u>	<u>\$ 811,018</u>	<u>\$ 4,646,229</u>	<u>\$ 392,903</u>	<u>\$ 5,039,132</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 4

YEAR ENDED JUNE 30, 2021

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Sub-total	Management and general	
Personnel Services Costs:						
Administrative staff personnel	5	\$ 322,701	\$ 107,567	\$ 430,268	\$ 107,567	\$ 537,835
Instructional personnel	19	904,525	208,763	1,113,288	-	1,113,288
Non-instructional personnel	<u>1</u>	<u>20,728</u>	<u>10,364</u>	<u>31,092</u>	<u>20,728</u>	<u>51,820</u>
Total salaries and wages	25	1,247,954	326,694	1,574,648	128,295	1,702,943
Payroll taxes and employee benefits		339,975	102,993	442,968	87,651	530,619
Professional development		3,622	934	4,556	317	4,873
Legal fees		-	-	-	9,028	9,028
Audit/accounting fees		-	-	-	6,286	6,286
Professional services		227,182	42,565	269,747	5,430	275,177
Student and staff recruitment		8,642	2,220	10,862	751	11,613
Curriculum and classroom supplies		41,571	7,066	48,637	-	48,637
Office expenses		5,229	1,348	6,577	458	7,035
Technology		20,906	5,389	26,295	1,832	28,127
Student services		(368)	(59)	(427)	-	(427)
Insurance		-	-	-	14,779	14,779
Building and land rent		1,259,480	324,644	1,584,124	110,394	1,694,518
Utilities		13,909	3,585	17,494	1,219	18,713
Non-capitalized equipment and furnishings		6,897	1,778	8,675	605	9,280
Repairs and maintenance		12,019	3,098	15,117	1,053	16,170
Depreciation and amortization		52,103	6,513	58,616	6,513	65,129
Management fees		408,608	105,323	513,931	35,815	549,746
Other		-	-	-	3,626	3,626
		<u>\$ 3,647,729</u>	<u>\$ 934,091</u>	<u>\$ 4,581,820</u>	<u>\$ 414,052</u>	<u>\$ 4,995,872</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 5

YEAR ENDED JUNE 30, 2021

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Sub-total	Management and general	
Personnel Services Costs:						
Administrative staff personnel	5	\$ 243,803	\$ 81,268	\$ 325,071	\$ 81,268	\$ 406,339
Instructional personnel	11	526,492	139,908	666,400	-	666,400
Total salaries and wages	16	770,295	221,176	991,471	81,268	1,072,739
Payroll taxes and employee benefits		191,645	60,923	252,568	44,992	297,560
Professional development		2,195	630	2,825	232	3,057
Legal fees		-	-	-	(550)	(550)
Audit/accounting fees		-	-	-	5,736	5,736
Professional services		93,235	25,708	118,943	4,594	123,537
Student and staff recruitment		8,278	2,377	10,655	873	11,528
Curriculum and classroom supplies		36,328	9,654	45,982	-	45,982
Office expenses		2,707	777	3,484	286	3,770
Technology		15,671	4,499	20,170	1,653	21,823
Insurance		-	-	-	15,185	15,185
Building and land rent		697,587	200,299	897,886	73,597	971,483
Non-capitalized equipment and furnishings		7,156	2,055	9,211	755	9,966
Repairs and maintenance		4,103	1,178	5,281	433	5,714
Depreciation and amortization		39,962	4,995	44,957	4,995	49,952
Management fees		275,041	78,973	354,014	29,017	383,031
Other		-	-	-	2,442	2,442
		\$ 2,144,203	\$ 613,244	\$ 2,757,447	\$ 265,508	\$ 3,022,955