

**BRONX CHARTER SCHOOL FOR BETTER LEARNING**

**BRONX, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**OTHER FINANCIAL INFORMATION**

**REPORT REQUIRED BY**  
**GOVERNMENT AUDITING STANDARDS**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2019**

**(With Comparative Totals for 2018)**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Bronx Charter School for Better Learning

**Report on the Financial Statements**

We have audited the accompanying financial statements of Bronx Charter School for Better Learning, which comprise the statement of financial position as of June 30, 2019, 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 Better Learning as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Bronx Charter School for Better Learning's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 21, 2019 on our consideration of Bronx Charter School for Better Learning's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bronx Charter School for Better Learning's internal control over other financial reporting and compliance.

*Mengel, Metzger, Barw & Co. LLP*

Rochester, New York  
October 21, 2019

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(With Comparative Totals for 2018)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,942,769	\$ 1,639,048
Certificates of deposit	1,087,957	1,082,349
Accounts receivable	188,092	443,405
Grants and contracts receivables	229,444	234,372
Prepaid expenses and other current assets	<u>60,594</u>	<u>51,259</u>
TOTAL CURRENT ASSETS	4,508,856	3,450,433
<u>PROPERTY AND EQUIPMENT</u> , net	444,538	420,630
<u>OTHER ASSET</u> - escrow account	<u>156,129</u>	<u>156,390</u>
TOTAL ASSETS	<u>\$ 5,109,523</u>	<u>\$ 4,027,453</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 240,019	\$ 159,491
Accrued payroll and benefits	1,330,661	1,121,374
Deferred revenue	<u>50,726</u>	<u>27,539</u>
TOTAL CURRENT LIABILITIES	1,621,406	1,308,404
 <u>NET ASSETS</u>		
Without donor restrictions	3,485,085	2,709,697
With donor restrictions	<u>3,032</u>	<u>9,352</u>
TOTAL NET ASSETS	<u>3,488,117</u>	<u>2,719,049</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,109,523</u>	<u>\$ 4,027,453</u>

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019  
(With Comparative Totals for 2018)

	Year ended June 30,			2018
	2019		Total	
	Without donor restrictions	With donor restrictions		
Revenue, gains, and other support:				
Public school district				
Resident student enrollment	\$ 13,310,821	\$ -	\$ 13,310,821	\$ 11,321,084
Students with disabilities	1,078,770	-	1,078,770	700,439
Grants and contracts				
State and local	209,569	-	209,569	260,323
Federal - Title and IDEA	605,986	-	605,986	604,544
Federal - other	173,023	-	173,023	350,758
TOTAL REVENUE, GAINS AND OTHER SUPPORT	15,378,169	-	15,378,169	13,237,148
Expenses:				
Program services:				
Regular education	11,465,404	-	11,465,404	10,265,053
Special education	2,310,217	-	2,310,217	1,795,867
Total program services	13,775,621	-	13,775,621	12,060,920
Management and general	837,440	-	837,440	843,989
Fundraising and special events	176,791	-	176,791	190,927
TOTAL OPERATING EXPENSES	14,789,852	-	14,789,852	13,095,836
SURPLUS FROM SCHOOL OPERATIONS	588,317	-	588,317	141,312
Support and other revenue:				
Contributions				
Foundations	79,625	-	79,625	77,652
Individuals	63,791	15,568	79,359	34,201
Fundraising	11,260	-	11,260	77,856
Interest income	7,127	-	7,127	9,129
Miscellaneous income	3,380	-	3,380	55,032
Net assets released from restriction	21,888	(21,888)	-	-
TOTAL SUPPORT AND OTHER REVENUE	187,071	(6,320)	180,751	253,870
CHANGE IN NET ASSETS	775,388	(6,320)	769,068	395,182
Net assets at beginning of year	2,709,697	9,352	2,719,049	2,323,867
NET ASSETS AT END OF YEAR	\$ 3,485,085	\$ 3,032	\$ 3,488,117	\$ 2,719,049

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019  
 (With Comparative Totals for 2018)

	No. of Positions	Year ended June 30,						Total	Total
		2019			2018				
		Program Services			Supporting Services				
Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Total	Total		
Personnel services costs:									
Administrative staff personnel	8	\$ 40,653	\$ 20,327	\$ 60,980	\$ 337,424	\$ 99,859	\$ 437,283	\$ 498,263	\$ 495,538
Instructional personnel	144	6,683,495	1,433,604	8,117,099	-	-	-	8,117,099	6,901,143
Non-instructional personnel	8	1,025,403	153,202	1,178,605	200,619	16,440	217,059	1,395,664	1,079,856
Total personnel services costs	160	7,749,551	1,607,133	9,356,684	538,043	116,299	654,342	10,011,026	8,476,537
Fringe benefits and payroll taxes		2,026,438	415,819	2,442,257	135,445	29,227	164,672	2,606,929	2,120,412
Retirement		190,300	38,562	228,862	12,143	2,615	14,758	243,620	230,300
Legal service		-	-	-	6,589	-	6,589	6,589	26,997
Accounting / audit services		-	-	-	31,883	-	31,883	31,883	27,272
Other purchased / professional / consulting services		399,736	56,409	456,145	60,796	1,787	62,583	518,728	851,146
Repairs and maintenance		132,387	26,301	158,688	7,826	1,679	9,505	168,193	163,218
Insurance		62,843	12,883	75,726	4,186	903	5,089	80,815	66,277
Utilities		69,688	14,192	83,880	4,530	976	5,506	89,386	117,712
Supplies and materials		167,671	23,521	191,192	3,900	840	4,740	195,932	232,426
Non-capitalized equipment/furnishings		7,866	1,598	9,464	507	109	616	10,080	58,416
Staff development		78,057	15,948	94,005	5,135	1,108	6,243	100,248	131,267
Marketing and recruitment		36,098	7,123	43,221	2,231	482	2,713	45,934	22,456
Technology		40,392	6,512	46,904	1,685	358	2,043	48,947	32,150
Food service		10,966	2,448	13,414	967	211	1,178	14,592	25,075
Student services		206,748	22,110	228,858	-	-	-	228,858	131,599
Office expense		84,260	17,190	101,450	5,513	1,189	6,702	108,152	96,967
Depreciation		175,625	37,065	212,690	12,955	2,807	15,762	228,452	220,350
Other		26,778	5,403	32,181	3,106	16,201	19,307	51,488	65,259
		<u>\$ 11,465,404</u>	<u>\$ 2,310,217</u>	<u>\$ 13,775,621</u>	<u>\$ 837,440</u>	<u>\$ 176,791</u>	<u>\$ 1,014,231</u>	<u>\$ 14,789,852</u>	<u>\$ 13,095,836</u>

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019  
(With Comparative Totals for 2018)

	<u>Year ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 769,068	\$ 395,182
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	228,452	220,350
Bad debt expense	-	625
Changes in certain assets and liabilities affecting operations:		
Accounts receivable	255,313	(18,861)
Grants and contracts receivables	4,928	513,718
Prepaid expenses and other current assets	(9,335)	(36,159)
Accounts payable and accrued expenses	(71,021)	(13,892)
Accrued payroll and benefits	209,287	167,446
Deferred revenue	<u>23,187</u>	<u>13,770</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,409,879	1,242,179
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(100,811)	(178,795)
Purchases of certificates of deposit	(5,608)	(49,971)
Change in escrow account	<u>261</u>	<u>(620)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(106,158)</u>	<u>(229,386)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,303,721	1,012,793
Cash and cash equivalents at beginning of year	<u>1,639,048</u>	<u>626,255</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,942,769</u>	<u>\$ 1,639,048</u>
<u>NON-CASH OPERATING AND INVESTING ACTIVITIES</u>		
Purchases of property and equipment included in accounts payable	<u>\$ 151,549</u>	<u>\$ -</u>

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



BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019  
(With Comparative Totals for 2018)

NOTE A: THE SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Bronx Charter School for Better Learning (“the Charter School”) is an educational corporation that operates as a charter school in the borough of Bronx, New York. The Charter School operates two schools, Bronx Charter School for Better Learning (“BBL I”) and Bronx Charter School for Better Learning II (“BBL II”). On March 25, 2003, the Board of Regents of the University of the State of New York granted BBL I a provisional charter valid for a term of five years and renewable upon expiration. On May 24, 2017, BBL I obtained a five year charter renewal with the ability to operate through July 31, 2023.

On July 22, 2014, the Board of Regents of the University of the State of New York amended the charter agreement permitting an additional school to be opened by the Charter School. During the 2015 fiscal year, the Charter School added BBL II under its expanded charter. BBL II has the authority to operate through July 30, 2020. The Charter School was established to provide its students in grades K-5 with a solid foundation for academic success, through achievement that exceeds citywide averages and meets or exceeds New York State Standards and national norms in all curriculum areas tested, especially in mathematics and language arts. The Charter School operates a Pre-K program which is not considered a chartered grade. There is a separate contract between the Charter School and the New York Department of Education regarding the operation of the Pre-K program.

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

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.

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 net assets with donor restrictions of \$3,032 and \$9,352 at June 30, 2019 or 2018, respectively.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2019  
(With Comparative Totals for 2018)

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

Revenue and support recognition

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

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

Contributions are recognized as revenue in the year the pledge is received and documented. A contribution that is received and expended in the same year for a specific purpose is classified as revenue without donor restrictions.

Cash and cash equivalents

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

Certificates of deposit

Certificates of deposit represent certificates of deposit with maturities of twelve months or less. These assets are carried at their original cost plus interest earned. In the normal course of business, the account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in certificates of deposit.

Accounts, grants and contracts receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2019 or 2018.

Property and equipment

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

Escrow account

The Charter School segregated certain certificates of deposit to fund an escrow account in accordance with the terms of their charter agreement. The amount in escrow as of June 30, 2019 and 2018 was \$156,129 and \$156,390, respectively. The escrow account is restricted to fund legal and other costs should the Charter School cease operations and dissolve.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2019  
(With Comparative Totals for 2018)

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

Deferred revenue

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

Tax exempt status

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

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2016 through June 30, 2019 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.

In-kind donations

Gifts and donations other than cash are recorded at fair value at the date of contribution. The Charter School did not receive any in-kind contributions for the years ended June 30, 2019 and 2018.

Contributed services

The Charter School receives contributed services from volunteers to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed. The Charter School received donated transportation, food services and special education services from the local school district. The Charter School was unable to determine a value for these services. In addition, the Charter School is located in New York City Department of Education facilities and utilizes approximately 51,200 square feet at no charge.

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$46,000 and \$22,000 for the years ended June 30, 2019 and 2018, respectively.

Comparatives for year ended June 30, 2018

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Use of estimates in the preparation of financial statements

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2019  
(With Comparative Totals for 2018)

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

Reclassifications

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

Change in accounting principle

During August 2016 FASB issued Accounting Standards Update No. 2016-14 “*Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*”. The main provisions of ASU 2016-14 require a Not-For-Profit (NFP) to:

- 1) Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than three classes. That is, an NFP will report amounts for *net assets with donor restrictions* and *net assets without donor restrictions*, as well as the currently required amount for total net assets.
- 2) Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted in item 1) rather than that of the required three classes as in prior years. An NFP would continue to report the currently required amount of the change in total net assets for the period.
- 3) Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
- 4) Provide enhanced disclosures about:
  - a) Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
  - b) Qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.
  - c) Quantitative information, and additional qualitative information, that communicates the availability of an NFP’s financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by Board of Trustee decisions.
  - d) Amounts of expenses by both their natural classification and their functional classification. That analysis of expenses is to be provided in one location.
  - e) Method(s) used to allocate costs among program and support functions.

ASU 2016-14 is effective for financial statements beginning after December 15, 2017 and was applied retrospectively except for disclosures regarding liquidity and availability of resources, which are presented only for the current year. There was no effect on total assets or changes in net assets. The Charter School has adopted the amendments effective July 1, 2018.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2019  
(With Comparative Totals for 2018)

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

New accounting pronouncements

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. For nonpublic entities, the guidance in this new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. 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.

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 guidance in this new standard is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. There has been an exposure draft proposed that would delay this ASU from the initial timetable and, if passed, will take effect for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021. 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.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 21, 2019, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

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 accounts and certificates of deposit.

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 balanced 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 2019.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2019  
(With Comparative Totals for 2018)

NOTE B: LIQUIDITY AND AVAILABILITY, Cont'd

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, 2019:

	<u>Amount</u>
Cash and cash equivalents	\$ 2,942,769
Certificates of deposit	1,087,957
Accounts receivable	188,092
Grants and other receivables	<u>229,444</u>
Total financial assets available within one year	4,448,262
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	<u>(3,032)</u>
Total amounts unavailable for general expenditures within one year	<u>(3,032)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 4,445,230</u>

To help manage unanticipated liquidity needs, the Charter School has a committed line of credit in the amount of \$200,000 which it could draw upon.

NOTE C: SCHOOL FACILITY

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

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2019  
(With Comparative Totals for 2018)

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 701,591	\$ 659,476
Computer equipment	<u>1,488,389</u>	<u>1,278,144</u>
	2,189,980	1,937,620
Less accumulated depreciation	<u>1,745,442</u>	<u>1,516,990</u>
	<u>\$ 444,538</u>	<u>\$ 420,630</u>

NOTE E: LINE OF CREDIT

The Charter School entered into a \$200,000 line of credit agreement with a bank during 2013. Interest is payable at prime plus 75 basis points (effective rate of 6.25% at June 30, 2019). There was no outstanding balance at June 30, 2019 and 2018, respectively. The line is secured by a certain certificate of deposit held by the Charter School.

NOTE F: OPERATING LEASES

The Charter School leases office equipment under certain non-cancelable lease agreements expiring through January 2023. Lease expense was approximately \$137,000 and \$145,000 for the years ended June 30, 2019 and 2018, respectively. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 124,588
2021	125,123
2022	125,123
2023	<u>72,989</u>
	<u>\$ 447,823</u>

NOTE G: RETIREMENT PLAN

The Charter School sponsors a 403(b) retirement plan (the "Plan") for its employees. All employees of the Charter School are eligible to participate. The Charter School matches 100% of the employee's contributions up to \$2,400 per year. During the years ended June 30, 2019 and 2018, the Charter School contributed approximately \$244,000 and \$230,000, respectively, to the Plan.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2019  
(With Comparative Totals for 2018)

NOTE H: CONTINGENCY

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

NOTE I: CONCENTRATIONS

At June 30, 2019 and 2018, accounts receivable and grants and contracts receivables are comprised of the following:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
New York City Department of Education	18%	46%
Federal Government	49%	31%
Mt. Vernon Department of Education	26%	21%

During the years ended June 30, 2019 and 2018, approximately 94% and 91%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE J: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Undesignated	\$ 3,040,547	\$ 2,289,067
Invested in property and equipment	<u>444,538</u>	<u>420,630</u>
	<u>\$ 3,485,085</u>	<u>\$ 2,709,697</u>

Net assets with donor restrictions consisted of the following:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Scholarship fund	\$ 3,032	\$ 9,352



BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2019  
(With Comparative Totals for 2018)

NOTE K: 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.

NOTE L: RENEWAL PROCESS

BBL II is currently in the process of renewing its charter as granted by the Board of Regents. The charter currently expires July 30, 2020. 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. BBL II has submitted its application for renewal. 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 BBL II expects the charter to be renewed.

**BRONX CHARTER SCHOOL FOR BETTER LEARNING**

**OTHER FINANCIAL INFORMATION**

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees  
Bronx Charter School for Better Learning

We have audited the financial statements of Bronx Charter School for Better Learning as of and for the year ended June 30, 2019, and have issued our report thereon dated October 21, 2019, 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, 2019, as a whole.

*Mengel, Metzger, Barr & Co. LLP*

Rochester, New York  
October 21, 2019

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2019

	Bronx Charter School for Better Learning I	Bronx Charter School for Better Learning II	Eliminations	Total
Revenue, gains, and other support:				
Public school district				
Resident student enrollment	\$ 8,634,041	\$ 4,676,780	\$ -	\$ 13,310,821
Students with disabilities	699,003	379,767	-	1,078,770
Grants and contracts				
State and local	195,977	13,592	-	209,569
Federal - Title and IDEA	404,550	201,436	-	605,986
Federal - other	<u>149,695</u>	<u>23,328</u>	-	<u>173,023</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	10,083,266	5,294,903	-	15,378,169
Expenses:				
Program services:				
Regular education	8,112,748	3,352,656	-	11,465,404
Special education	<u>1,507,103</u>	<u>803,114</u>	-	<u>2,310,217</u>
Total program services	9,619,851	4,155,770	-	13,775,621
Management and general	459,477	377,963	-	837,440
Fundraising and special events	<u>96,219</u>	<u>80,572</u>	-	<u>176,791</u>
TOTAL OPERATING EXPENSES	<u>10,175,547</u>	<u>4,614,305</u>	-	<u>14,789,852</u>
 (DEFICIT) / SURPLUS FROM SCHOOL OPERATIONS	 (92,281)	 680,598	-	 588,317
Support and other revenue:				
Contributions				
Foundations	72,625	7,000	-	79,625
Individuals	77,969	1,390	-	79,359
Fundraising	10,810	450	-	11,260
Interest income	7,127	-	-	7,127
Miscellaneous income	<u>3,380</u>	-	-	<u>3,380</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>171,911</u>	<u>8,840</u>	-	<u>180,751</u>
 CHANGE IN NET ASSETS	 79,630	 689,438	-	 769,068
Net assets at beginning of year	<u>1,342,630</u>	<u>1,376,419</u>	-	<u>2,719,049</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,422,260</u>	<u>\$ 2,065,857</u>	<u>\$ -</u>	<u>\$ 3,488,117</u>

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FUNCTIONAL EXPENSES – BRONX CHARTER SCHOOL FOR BETTER LEARNING I

YEAR ENDED JUNE 30, 2019

	Year ended June 30, 2019							
	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	4	\$ 21,342	\$ 10,671	\$ 32,013	\$ 177,143	\$ 50,133	\$ 227,276	\$ 259,289
Instructional personnel	95	4,665,566	909,320	5,574,886	-	-	-	5,574,886
Non-instructional personnel	4	644,945	94,903	739,848	85,450	5,615	91,065	830,913
Total personnel services costs	103	5,331,853	1,014,894	6,346,747	262,593	55,748	318,341	6,665,088
Fringe benefits and payroll taxes		1,475,374	280,831	1,756,205	72,662	15,426	88,088	1,844,293
Retirement		147,458	28,068	175,526	7,262	1,542	8,804	184,330
Legal service		-	-	-	6,589	-	6,589	6,589
Accounting / audit services		-	-	-	20,836	-	20,836	20,836
Other purchased / professional / consulting services		348,965	49,593	398,558	59,456	1,633	61,089	459,647
Repairs and maintenance		112,203	21,357	133,560	5,526	1,173	6,699	140,259
Insurance		45,977	8,751	54,728	2,264	481	2,745	57,473
Utilities		52,711	10,033	62,744	2,596	551	3,147	65,891
Supplies and materials		121,055	16,540	137,595	2,294	487	2,781	140,376
Non-capitalized equipment/furnishings		6,016	1,145	7,161	296	63	359	7,520
Staff development		58,103	11,060	69,163	2,862	608	3,470	72,633
Marketing and recruitment		24,987	4,594	29,581	1,139	242	1,381	30,962
Technology		34,214	6,512	40,726	1,685	358	2,043	42,769
Food service		4,352	828	5,180	214	45	259	5,439
Student services		156,071	16,083	172,154	-	-	-	172,154
Office expense		63,176	12,025	75,201	3,111	661	3,772	78,973
Depreciation		109,045	20,756	129,801	5,370	1,140	6,510	136,311
Other		21,188	4,033	25,221	2,722	16,061	18,783	44,004
		<u>\$ 8,112,748</u>	<u>\$ 1,507,103</u>	<u>\$ 9,619,851</u>	<u>\$ 459,477</u>	<u>\$ 96,219</u>	<u>\$ 555,696</u>	<u>\$10,175,547</u>

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FUNCTIONAL EXPENSES – BRONX CHARTER SCHOOL FOR BETTER LEARNING II

YEAR ENDED JUNE 30, 2019

	Year ended June 30, 2019							
	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel services costs:								
Administrative staff personnel	4	\$ 19,311	\$ 9,656	\$ 28,967	\$ 160,281	\$ 49,726	\$ 210,007	\$ 238,974
Instructional personnel	49	2,017,929	524,284	2,542,213	-	-	-	2,542,213
Non-instructional personnel	4	380,458	58,299	438,757	115,169	10,825	125,994	564,751
Total personnel services costs	57	2,417,698	592,239	3,009,937	275,450	60,551	336,001	3,345,938
Fringe benefits and payroll taxes		551,064	134,988	686,052	62,783	13,801	76,584	762,636
Retirement		42,842	10,494	53,336	4,881	1,073	5,954	59,290
Accounting / audit services		-	-	-	11,047	-	11,047	11,047
Other purchased / professional / consulting services		50,771	6,816	57,587	1,340	154	1,494	59,081
Repairs and maintenance		20,184	4,944	25,128	2,300	506	2,806	27,934
Insurance		16,866	4,132	20,998	1,922	422	2,344	23,342
Utilities		16,977	4,159	21,136	1,934	425	2,359	23,495
Supplies and materials		46,616	6,981	53,597	1,606	353	1,959	55,556
Non-capitalized equipment/furnishings		1,850	453	2,303	211	46	257	2,560
Staff development		19,954	4,888	24,842	2,273	500	2,773	27,615
Marketing and recruitment		11,111	2,529	13,640	1,092	240	1,332	14,972
Technology		6,178	-	6,178	-	-	-	6,178
Food service		6,614	1,620	8,234	753	166	919	9,153
Student services		50,677	6,027	56,704	-	-	-	56,704
Office expense		21,084	5,165	26,249	2,402	528	2,930	29,179
Depreciation		66,580	16,309	82,889	7,585	1,667	9,252	92,141
Other		5,590	1,370	6,960	384	140	524	7,484
		<u>\$ 3,352,656</u>	<u>\$ 803,114</u>	<u>\$ 4,155,770</u>	<u>\$ 377,963</u>	<u>\$ 80,572</u>	<u>\$ 458,535</u>	<u>\$ 4,614,305</u>

**BRONX CHARTER SCHOOL FOR BETTER LEARNING**

**REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

Board of Trustees  
Bronx Charter School for Better Learning

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Bronx Charter School for Better Learning, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 21, 2019.

**Internal Control over Financial Reporting**

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

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

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



## **Compliance and Other Matters**

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

## **Purpose of This Report**

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

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 21, 2019