

BRONX CHARTER SCHOOL FOR BETTER LEARNING

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2018

(With Comparative Totals for 2017)



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, 2018, 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, 2018, 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 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 reported dated October 22, 2018 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, Baw & Co. LLP

Rochester, New York
October 22, 2018

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(With Comparative Totals for 2017)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 1,639,048	\$ 626,255
Certificates of deposit	1,082,349	1,032,378
Accounts receivable	443,405	425,169
Grants and contracts receivables	234,372	748,090
Prepaid expenses and other current assets	<u>51,259</u>	<u>15,100</u>
TOTAL CURRENT ASSETS	3,450,433	2,846,992
<u>PROPERTY AND EQUIPMENT</u> , net	420,630	462,185
<u>OTHER ASSET</u> - escrow account	<u>156,390</u>	<u>155,770</u>
TOTAL ASSETS	<u>\$ 4,027,453</u>	<u>\$ 3,464,947</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 159,491	\$ 173,383
Accrued payroll and benefits	1,121,374	953,928
Deferred revenue	<u>27,539</u>	<u>13,769</u>
TOTAL CURRENT LIABILITIES	1,308,404	1,141,080
 <u>NET ASSETS</u>		
Unrestricted	2,709,697	2,319,468
Temporarily restricted	<u>9,352</u>	<u>4,399</u>
TOTAL NET ASSETS	<u>2,719,049</u>	<u>2,323,867</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,027,453</u>	<u>\$ 3,464,947</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, 2018
 (With Comparative Totals for 2017)

	Year ended June 30,			2017
	2018		Total	
	Unrestricted	Temporarily restricted		
Revenue, gains, and other support:				
Public school district				
Resident student enrollment	\$ 11,321,084	\$ -	\$ 11,321,084	\$ 9,740,564
Students with disabilities	700,439	-	700,439	633,773
Grants and contracts				
State and local	260,323	-	260,323	231,767
Federal - Title and IDEA	604,544	-	604,544	369,057
Federal - other	350,758	-	350,758	587,758
TOTAL REVENUE, GAINS AND OTHER SUPPORT	13,237,148	-	13,237,148	11,562,919
Expenses:				
Program services:				
Regular education	10,265,053	-	10,265,053	8,714,725
Special education	1,795,867	-	1,795,867	1,441,513
Total program services	12,060,920	-	12,060,920	10,156,238
Management and general	843,989	-	843,989	778,960
Fundraising and special events	190,927	-	190,927	194,868
TOTAL OPERATING EXPENSES	13,095,836	-	13,095,836	11,130,066
SURPLUS FROM SCHOOL OPERATIONS	141,312	-	141,312	432,853
Support and other revenue:				
Contributions				
Foundations	77,652	-	77,652	83,555
Individuals	17,016	17,185	34,201	44,713
Fundraising	77,856	-	77,856	59,634
Interest income	9,129	-	9,129	2,337
Miscellaneous income	55,032	-	55,032	4,916
Net assets released from restriction	12,232	(12,232)	-	-
TOTAL SUPPORT AND OTHER REVENUE	248,917	4,953	253,870	195,155
CHANGE IN NET ASSETS	390,229	4,953	395,182	628,008
Net assets at beginning of year	2,319,468	4,399	2,323,867	1,695,859
NET ASSETS AT END OF YEAR	\$ 2,709,697	\$ 9,352	\$ 2,719,049	\$ 2,323,867

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, 2018
 (With Comparative Totals for 2017)

	Year ended June 30,								
	2018							2017	
	No. of Positions	Program Services			Supporting Services			Total	Total
Regular Education		Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total			
Personnel services costs:									
Administrative staff personnel	11	\$ 40,818	\$ 20,409	\$ 61,227	\$ 338,788	\$ 95,523	\$ 434,311	\$ 495,538	\$ 473,078
Instructional personnel	119	5,826,951	1,074,192	6,901,143	-	-	-	6,901,143	5,931,911
Non-instructional personnel	10	800,106	111,776	911,882	154,617	13,357	167,974	1,079,856	1,028,685
Total personnel services costs	140	6,667,875	1,206,377	7,874,252	493,405	108,880	602,285	8,476,537	7,433,674
Fringe benefits and payroll taxes		1,676,670	300,290	1,976,960	117,941	25,511	143,452	2,120,412	1,740,169
Retirement		183,155	32,435	215,590	12,148	2,562	14,710	230,300	187,935
Legal service		-	-	-	26,997	-	26,997	26,997	-
Accounting / audit services		-	-	-	27,272	-	27,272	27,272	28,315
Other purchased / professional / consulting services		656,189	86,550	742,739	104,461	3,946	108,407	851,146	573,932
Repairs and maintenance		130,180	22,924	153,104	8,372	1,742	10,114	163,218	116,670
Insurance		52,160	9,428	61,588	3,843	846	4,689	66,277	70,125
Utilities		92,333	16,798	109,131	7,017	1,564	8,581	117,712	112,532
Supplies and materials		202,671	23,871	226,542	4,861	1,023	5,884	232,426	276,003
Non-capitalized equipment/furnishings		47,079	8,121	55,200	2,689	527	3,216	58,416	7,477
Staff development		103,625	18,619	122,244	7,410	1,613	9,023	131,267	97,851
Marketing and recruitment		18,079	2,861	20,940	1,220	296	1,516	22,456	11,920
Technology		26,454	4,080	30,534	1,351	265	1,616	32,150	40,577
Food service		19,736	3,567	23,303	1,452	320	1,772	25,075	22,645
Student services		103,817	10,558	114,375	-	-	-	114,375	48,514
Office expense		76,659	13,735	90,394	5,403	1,170	6,573	96,967	86,139
Depreciation		172,283	31,539	203,822	13,489	3,039	16,528	220,350	139,322
Other		36,088	4,114	40,202	4,658	37,623	42,281	82,483	136,266
		<u>\$ 10,265,053</u>	<u>\$ 1,795,867</u>	<u>\$ 12,060,920</u>	<u>\$ 843,989</u>	<u>\$ 190,927</u>	<u>\$ 1,034,916</u>	<u>\$ 13,095,836</u>	<u>\$ 11,130,066</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, 2018
(With Comparative Totals for 2017)

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 395,182	\$ 628,008
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	220,350	139,322
Bad debt expense	625	74,380
Changes in certain assets and liabilities affecting operations:		
Accounts receivable	(18,861)	(359,354)
Grants and contracts receivables	513,718	(248,325)
Prepaid expenses and other current assets	(36,159)	817
Accounts payable and accrued expenses	(13,892)	(106,225)
Accrued payroll and benefits	167,446	142,221
Deferred revenue	<u>13,770</u>	<u>(32,448)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,242,179	238,396
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(178,795)	(439,255)
Purchases of certificates of deposit	(49,971)	(647)
Change in escrow account	<u>(620)</u>	<u>(1,231)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(229,386)</u>	<u>(441,133)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,012,793	(202,737)
Cash and cash equivalents at beginning of year	<u>626,255</u>	<u>828,992</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,639,048</u>	<u>\$ 626,255</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, 2018
(With Comparative Totals for 2017)

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

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2018 or 2017.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. There were \$9,352 and \$4,399 of temporarily restricted net assets at June 30, 2018 and 2017, respectively, restricted for a specific purpose, as described in Note I.

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

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

Revenue and support recognition

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

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

Contributions are recognized as revenue in the year the pledge is received and documented. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Cash and cash equivalents

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

Certificates of deposit

Certificates of deposit represent certificates of deposit with maturities of twelve months or less. 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, 2018 or 2017.

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, 2018 and 2017 was \$156,390 and \$155,770, respectively. The escrow account is restricted to fund legal and other costs should the Charter School cease operations and dissolve.

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 BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

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

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, 2015 through June 30, 2018 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, 2018 and 2017.

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.

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$22,000 and \$12,000 for the years ended June 30, 2018 and 2017, respectively.

Comparatives for year ended June 30, 2017

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, 2017, 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.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 22, 2018, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, except for the events described in Note J.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

NOTE B: SCHOOL FACILITY

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

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

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 659,476	\$ 648,921
Computer equipment	<u>1,278,144</u>	<u>1,109,904</u>
	1,937,620	1,758,825
Less accumulated depreciation	<u>1,516,990</u>	<u>1,296,640</u>
	<u>\$ 420,630</u>	<u>\$ 462,185</u>

NOTE D: LINE OF CREDIT

The Charter School entered into a \$200,000 line of credit agreement with a bank during 2013. Interest is payable at prime plus 75 basis points (effective rate of 5.75% at June 30, 2018). There was no outstanding balance at June 30, 2018 and 2017, respectively. The line is secured by a certain certificate of deposit held by the Charter School.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

NOTE E: OPERATING LEASES

The Charter School leases office equipment under certain non-cancelable lease agreements expiring through January 2023. Lease expense was approximately \$145,000 and \$109,000 for the years ended June 30, 2018 and 2017, respectively. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 183,125
2020	178,458
2021	143,598
2022	118,698
2023	<u>69,240</u>
	<u>\$ 693,119</u>

NOTE F: RETIREMENT PLAN

The Charter School sponsors a 403(b) retirement plan (the "Plan") for its employees. All employees of the Charter School are eligible to participate. The Charter School matches 100% of the employee's contributions up to \$2,400 per year. During the years ended June 30, 2018 and 2017, the Charter School contributed approximately \$230,000 and \$188,000, respectively, to the Plan.

NOTE G: CONTINGENCY

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

NOTE H: CONCENTRATIONS

At June 30, 2018 and 2017, accounts receivable and grants and contracts receivables are comprised of the following:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
New York City Department of Education	46%	23%
Federal Government	31%	40%
Mt. Vernon Department of Education	21%	12%
New York State Per Pupil	*	24%

* Below 10% of receivables

During the years ended June 30, 2018 and 2017, approximately 91% and 90%, 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 I: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for specialized services or purposes designated by the donors. At June 30, 2018 and 2017, temporarily restricted net assets were available for the following:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Scholarship fund	\$ 9,352	\$ 4,399

NOTE J: SUBSEQUENT EVENTS

In August 2018, the New York State Department of Education (NYSED) notified the Charter School that it had over-allocated approximately \$50,000 in Title IIA funding to the Charter School for the year ended June 30, 2018. NYSED will reduce the Charter School's Title IIA funding for a period of up to five years to recoup the over-allocated funding. The Charter School has not accounted for the over-allocated funding as a liability as of June 30, 2018.

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, 2018, and have issued our report thereon dated October 22, 2018, 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, 2018, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 22, 2018

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2018

	<u>Bronx Charter School for Better Learning</u>	<u>Bronx Charter School for Better Learning II</u>	<u>Eliminations</u>	<u>Total</u>
Revenue, gains, and other support:				
Public school district				
Resident student enrollment	\$ 7,978,641	\$ 3,342,443	\$ -	\$ 11,321,084
Students with disabilities	518,608	181,831	-	700,439
Grants and contracts				
State and local	240,126	20,197	-	260,323
Federal - Title and IDEA	430,544	174,000	-	604,544
Federal - other	<u>313,612</u>	<u>37,146</u>	-	<u>350,758</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	9,481,531	3,755,617	-	13,237,148
Expenses:				
Program services:				
Regular education	7,658,872	2,606,181	-	10,265,053
Special education	<u>1,287,108</u>	<u>508,759</u>	-	<u>1,795,867</u>
Total program services	8,945,980	3,114,940	-	12,060,920
Management and general	525,726	318,263	-	843,989
Fundraising and special events	<u>118,044</u>	<u>72,883</u>	-	<u>190,927</u>
TOTAL OPERATING EXPENSES	<u>9,589,750</u>	<u>3,506,086</u>	-	<u>13,095,836</u>
(DEFICIT) / SURPLUS FROM SCHOOL OPERATIONS	(108,219)	249,531	-	141,312
Support and other revenue:				
Contributions				
Foundations	68,652	9,000	-	77,652
Individuals	33,414	787	-	34,201
Fundraising	59,027	18,829	-	77,856
Interest income	9,129	-	-	9,129
Miscellaneous income	<u>52,463</u>	<u>2,569</u>	-	<u>55,032</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>222,685</u>	<u>31,185</u>	-	<u>253,870</u>
CHANGE IN NET ASSETS	114,466	280,716	-	395,182
Net assets at beginning of year	<u>1,228,164</u>	<u>1,095,703</u>	-	<u>2,323,867</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,342,630</u>	<u>\$ 1,376,419</u>	<u>\$ -</u>	<u>\$ 2,719,049</u>

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FUNCTIONAL EXPENSES – BRONX CHARTER SCHOOL FOR BETTER LEARNING

YEAR ENDED JUNE 30, 2018

	Year ended June 30, 2018							Total
	Program Services			Supporting Services			Sub-total	
	No. of Positions	Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events		
Personnel services costs:								
Administrative staff personnel	6	\$ 24,133	\$ 12,066	\$ 36,199	\$ 200,298	\$ 48,506	\$ 248,804	\$ 285,003
Instructional personnel	85	4,282,299	745,981	5,028,280	-	-	-	5,028,280
Non-instructional personnel	6	507,833	72,410	580,243	74,700	5,347	80,047	660,290
Total personnel services costs	97	4,814,265	830,457	5,644,722	274,998	53,853	328,851	5,973,573
Fringe benefits and payroll taxes		1,311,513	226,236	1,537,749	74,916	14,671	89,587	1,627,336
Retirement		155,383	26,803	182,186	8,876	1,738	10,614	192,800
Legal service		-	-	-	26,997	-	26,997	26,997
Accounting / audit services		-	-	-	20,060	-	20,060	20,060
Other purchased / professional / consulting services		564,852	77,478	642,330	80,367	3,473	83,840	726,170
Repairs and maintenance		114,763	19,797	134,560	6,555	1,284	7,839	142,399
Insurance		37,934	6,543	44,477	2,167	424	2,591	47,068
Utilities		63,627	10,976	74,603	3,635	712	4,347	78,950
Supplies and materials		152,112	19,238	171,350	3,592	703	4,295	175,645
Non-capitalized equipment/furnishings		47,079	8,121	55,200	2,689	527	3,216	58,416
Staff development		79,062	13,638	92,700	4,516	884	5,400	98,100
Marketing and recruitment		5,977	846	6,823	207	41	248	7,071
Technology		23,654	4,080	27,734	1,351	265	1,616	29,350
Food service		14,379	2,480	16,859	821	161	982	17,841
Student services		81,964	8,268	90,232	-	-	-	90,232
Office expense		59,790	10,314	70,104	3,415	669	4,084	74,188
Depreciation		112,198	19,354	131,552	6,409	1,255	7,664	139,216
Other		20,320	2,479	22,799	4,155	37,384	41,539	64,338
		<u>\$ 7,658,872</u>	<u>\$ 1,287,108</u>	<u>\$ 8,945,980</u>	<u>\$ 525,726</u>	<u>\$ 118,044</u>	<u>\$ 643,770</u>	<u>\$ 9,589,750</u>

BRONX CHARTER SCHOOL FOR BETTER LEARNING

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

YEAR ENDED JUNE 30, 2018

	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	5	\$ 16,685	\$ 8,343	\$ 25,028	\$ 138,490	\$ 47,017	\$ 185,507	\$ 210,535
Instructional personnel	34	1,544,652	328,211	1,872,863	-	-	-	1,872,863
Non-instructional personnel	4	292,273	39,366	331,639	79,917	8,010	87,927	419,566
Total personnel services costs	43	1,853,610	375,920	2,229,530	218,407	55,027	273,434	2,502,964
Fringe benefits and payroll taxes		365,157	74,054	439,211	43,025	10,840	53,865	493,076
Retirement		27,772	5,632	33,404	3,272	824	4,096	37,500
Accounting / audit services		-	-	-	7,212	-	7,212	7,212
Other purchased / professional / consulting services		91,337	9,072	100,409	24,094	473	24,567	124,976
Repairs and maintenance		15,417	3,127	18,544	1,817	458	2,275	20,819
Insurance		14,226	2,885	17,111	1,676	422	2,098	19,209
Utilities		28,706	5,822	34,528	3,382	852	4,234	38,762
Supplies and materials		50,559	4,633	55,192	1,269	320	1,589	56,781
Staff development		24,563	4,981	29,544	2,894	729	3,623	33,167
Marketing and recruitment		12,102	2,015	14,117	1,013	255	1,268	15,385
Technology		2,800	-	2,800	-	-	-	2,800
Food service		5,357	1,087	6,444	631	159	790	7,234
Student services		21,853	2,290	24,143	-	-	-	24,143
Office expense		16,869	3,421	20,290	1,988	501	2,489	22,779
Depreciation		60,085	12,185	72,270	7,080	1,784	8,864	81,134
Other		15,768	1,635	17,403	503	239	742	18,145
		<u>\$ 2,606,181</u>	<u>\$ 508,759</u>	<u>\$ 3,114,940</u>	<u>\$ 318,263</u>	<u>\$ 72,883</u>	<u>\$ 391,146</u>	<u>\$ 3,506,086</u>

BRONX CHARTER SCHOOL FOR BETTER LEARNING

BRONX, NEW YORK

**SCHEDULES REQUIRED BY GOVERNMENT AUDITING
STANDARDS AND THE UNIFORM GUIDANCE**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2018



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bronx Charter School for Better Learning, which comprise the statement of financial position as of June 30, 2018 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 22, 2018.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bronx Charter School for Better Learning's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is 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 22, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
Bronx Charter School for Better Learning

Report on Compliance for Each Major Federal Program

We have audited Bronx Charter School for Better Learning's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Bronx Charter School for Better Learning's major federal programs for the year ended June 30, 2018. Bronx Charter School for Better Learning's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bronx Charter School for Better Learning's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bronx Charter School for Better Learning's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bronx Charter School for Better Learning's compliance.

Opinion on Each Major Federal Program

In our opinion, Bronx Charter School for Better Learning complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of Bronx Charter School for Better Learning is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bronx Charter School for Better Learning's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bronx Charter School for Better Learning' internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Bronx Charter School for Better Learning as of and for the year ended June 30, 2018, and have issued our report thereon dated October 22, 2018, 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 22, 2018

BRONX CHARTER SCHOOL FOR BETTER LEARNING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:			
<u>Passed through NYS Department of Education</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	\$ 445,323
Title IIA - Improving Teacher Quality	84.367	0147	126,397
2016-2019 NYS Charter School Dissemination	84.282C	C402776	<u>246,591</u>
TOTAL DEPARTMENT OF EDUCATION			<u>818,311</u>
TOTAL ALL PROGRAMS			<u>\$ 818,311</u>

NOTE A: BASIS OF PRESENTATION

The above schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of Bronx Charter School for Better Learning and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Bronx Charter School for Better Learning has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance

BRONX CHARTER SCHOOL FOR BETTER LEARNING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes x none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? yes x no

Identification of major program:

CFDA Number:

84.010

Name of Federal Program or Cluster:

Title I - Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee? yes x no

BRONX CHARTER SCHOOL FOR BETTER LEARNING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd
YEAR ENDED JUNE 30, 2018

FINDING – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.