

**BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR
EXCELLENCE, INC.**

BRONX, NEW YORK

AUDITED COMBINED FINANCIAL STATEMENTS

OTHER COMBINING FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2015

(With Comparative Totals for 2014)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

<u>AUDITED COMBINED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Combined Statement of Financial Position	5
Combined Statement of Activities and Changes in Net Assets	6
Combined Statement of Functional Expenses	7
Combined Statement of Cash Flows	8
Notes to Combined Financial Statements	9
 <u>OTHER COMBINING FINANCIAL INFORMATION</u>	
Independent Auditor's Report on Combining Financial Information	22
Combining Statement of Financial Position	23
Combining Statement of Activities and Changes in Net Assets	24
Statement of Functional Expenses – Bronx Charter School for Excellence	25
Statement of Functional Expenses – Friends of Bronx Charter School for Excellence, Inc.	26

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Bronx Charter School for Excellence
Friends of Bronx Charter School for Excellence, Inc.

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Bronx Charter School for Excellence and Friends of Bronx Charter School for Excellence, Inc. which comprise the combined statement of financial position as of June 30, 2015, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Bronx Charter School for Excellence and Friends of Bronx Charter School for Excellence, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Bronx Charter School for Excellence and Friends of Bronx Charter School for Excellence, Inc.'s June 30, 2014 combined financial statements and we expressed an unmodified opinion on those combined statements in our report dated on October 23, 2014. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited combined 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 28, 2015 on our consideration of Bronx Charter School for Excellence and Friends of Bronx Charter School for Excellence, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bronx Charter School for Excellence and Friends of Bronx Charter School for Excellence, Inc.'s internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 28, 2015

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

COMBINED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015
(With Comparative Totals for 2014)

<u>ASSETS</u>	June 30,	
	2015	2014
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 4,040,679	\$ 1,274,427
Grants and other receivables	211,365	583,918
Prepaid expenses	126,635	106,018
Security deposits	19,195	9,185
TOTAL CURRENT ASSETS	4,397,874	1,973,548
<u>PROPERTY AND EQUIPMENT, net</u>	26,372,964	17,459,719
<u>OTHER ASSETS</u>		
Investments - restricted	4,613,312	11,825,368
Bond issuance costs and loan closing costs, net of accumulated amortization of \$240,279 and \$133,726, respectively	1,380,759	1,487,312
	5,994,071	13,312,680
TOTAL ASSETS	\$ 36,764,909	\$ 32,745,947
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current portion of bonds payable	\$ 155,000	\$ -
Accounts payable	950,001	248,304
Accrued expenses	335,167	361,826
Accrued payroll and benefits	849,362	744,022
Accrued construction retainage	1,055,256	572,874
Deferred revenue	344,897	279,672
Deferred lease incentive	14,907	19,067
Due to related party	274,800	-
TOTAL CURRENT LIABILITIES	3,979,390	2,225,765
<u>OTHER LIABILITIES</u>		
Bonds payable, net	25,778,980	26,017,428
Reserve for payment of debt service	1,540,000	1,540,000
TOTAL OTHER LIABILITIES	27,318,980	27,557,428
<u>NET ASSETS</u>		
Unrestricted	5,306,359	2,860,579
Temporarily restricted	160,180	102,175
TOTAL NET ASSETS	5,466,539	2,962,754
TOTAL LIABILITIES AND NET ASSETS	\$ 36,764,909	\$ 32,745,947

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

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	Year ended June 30,			2014
	2015			
	Unrestricted	Temporarily restricted	Total	
Operating revenue and support:				
State and local per pupil operating revenue	\$ 9,690,940	\$ -	\$ 9,690,940	\$ 8,199,935
Grants	657,280	-	657,280	647,784
Contributions	976,856	104,180	1,081,036	377,315
Contributed services	59,805	-	59,805	110,541
Fundraising	551,389	-	551,389	2,355
Investment income	14,737	-	14,737	43,044
Other income	2,724	-	2,724	37,718
Net assets released from restriction	46,175	(46,175)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	11,999,906	58,005	12,057,911	9,418,692
Expenses:				
Program:				
Regular education	6,310,412	-	6,310,412	4,993,371
Special education	1,374,429	-	1,374,429	1,173,829
Management and general	1,582,193	-	1,582,193	1,889,676
Fundraising and special events	287,092	-	287,092	59,417
TOTAL EXPENSES	9,554,126	-	9,554,126	8,116,293
CHANGE IN NET ASSETS	2,445,780	58,005	2,503,785	1,302,399
Net assets at beginning of year	2,860,579	102,175	2,962,754	1,660,355
NET ASSETS AT END OF YEAR	\$ 5,306,359	\$ 160,180	\$ 5,466,539	\$ 2,962,754

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

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	Year ended June 30, 2015								Year ended June 30, 2014
	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	9	\$ 95,898	\$ 23,974	\$ 119,872	\$ 359,616	\$ -	\$ 359,616	\$ 479,488	\$ 387,734
Instructional personnel	58	2,615,930	655,188	3,271,118	-	-	-	3,271,118	2,879,312
Non-instructional personnel	11	945,445	217,442	1,162,887	143,982	-	143,982	1,306,869	1,153,774
Total salaries and wages	78	3,657,273	896,604	4,553,877	503,598	-	503,598	5,057,475	4,420,820
Payroll taxes and employee benefits		1,059,908	241,984	1,301,892	152,074	408	152,482	1,454,374	1,202,304
Professional development		20,171	5,014	25,185	8,438	1,338	9,776	34,961	24,030
Legal fees		-	-	-	25,663	-	25,663	25,663	41,908
Audit/accounting fees		-	-	-	29,300	-	29,300	29,300	87,235
Financial management services		13,253	6,627	19,880	112,653	-	112,653	132,533	95,895
Professional services		206,288	16,016	222,304	289,911	386	290,297	512,601	479,409
Student and staff recruitment		26,519	1,693	28,212	-	-	-	28,212	56,144
Curriculum and classroom supplies		229,284	10,144	239,428	6,374	342	6,716	246,144	149,839
Office expenses		82,257	20,002	102,259	12,570	674	13,244	115,503	86,893
Food services		-	-	-	-	-	-	-	36,927
Student services		121,454	8,245	129,699	-	57,975	57,975	187,674	158,532
Insurance		103,925	23,901	127,826	19,522	806	20,328	148,154	79,766
Information technology		-	1,808	1,808	929	-	929	2,737	7,786
Occupancy and utilities		283,200	65,133	348,333	40,932	2,197	43,129	391,462	336,193
Non-capitalized equipment and furnishings		-	-	-	2,361	-	2,361	2,361	15,817
Repairs and maintenance		116,732	26,847	143,579	16,872	905	17,777	161,356	114,719
Depreciation and amortization		260,399	37,200	297,599	74,400	-	74,400	371,999	430,233
Interest expense		-	-	-	188,858	-	188,858	188,858	144,215
Replication expenses		85,024	12,146	97,170	24,293	-	24,293	121,463	-
Special events		-	-	-	-	201,480	201,480	201,480	884
Other		44,725	1,065	45,790	73,445	20,581	94,026	139,816	146,744
		<u>\$ 6,310,412</u>	<u>\$ 1,374,429</u>	<u>\$ 7,684,841</u>	<u>\$ 1,582,193</u>	<u>\$ 287,092</u>	<u>\$ 1,869,285</u>	<u>\$ 9,554,126</u>	<u>\$ 8,116,293</u>

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

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

COMBINED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	Year ended June 30,	
	2015	2014
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 2,503,785	\$ 1,302,399
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	371,999	430,233
Net realized and unrealized losses	4,215	6,306
Bond premium amortization	(83,448)	(80,031)
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	372,553	(157,838)
Prepaid expenses	(20,617)	(50,824)
Security deposits	(10,010)	(5,495)
Accounts payable	701,697	(105,804)
Accrued expenses	(26,659)	130,154
Accrued payroll and benefits	105,340	(56,664)
Deferred revenue	65,225	279,672
Deferred lease incentive	(4,160)	19,067
Due to related party	274,800	-
NET CASH PROVIDED FROM OPERATING ACTIVITIES	4,254,720	1,711,175
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(8,696,309)	(8,090,948)
Proceeds from sale of investments	7,207,841	4,997,400
NET CASH USED FOR INVESTING ACTIVITIES	(1,488,468)	(3,093,548)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Payments for bond issuance costs	-	(16,592)
NET CASH USED FOR FINANCING ACTIVITIES	-	(16,592)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,766,252	(1,398,965)
Cash and cash equivalents at beginning of year	1,274,427	2,673,392
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,040,679	\$ 1,274,427
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	\$ 188,858	\$ 63,652
Incurrence of accrued construction retainage for construction in progress	\$ 482,382	\$ 572,874

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

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of combination

The accompanying combined financial statements include the accounts of Bronx Charter School for Excellence (the "Charter School") and Friends of Bronx Charter School for Excellence ("Friends"), (collectively referred to as the "Organization"). The Organizations are presenting combined financial statements because they have certain common Board of Trustees but no economic interest. All intercompany balances and transactions have been eliminated in the accompanying combined financial statements.

The Organization

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

Friends was organized under the laws of the State of New York on July 9, 2001 as a not-for-profit corporation under subparagraph (a)(5) of Section 102 of the Not-for-Profit Corporation Law. Friends was established to provide technical and financial assistance in the improvement of educational opportunities for school-aged children in the Parkchester area of the Bronx, New York. Prior to fiscal 2007, Friends solely provided financial assistance to the School in connection with funding the option premium deposit to the landlord and entering into a lease agreement on behalf of the Charter School for a new building facility. From fiscal 2007 through fiscal 2015, Friends was making new efforts to raise additional funds to support the Charter School.

Financial Statement presentation

The combined financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Organization 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.

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

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

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 Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets at June 30, 2015 or 2014.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets at June 30, 2015 are restricted for a library for the new facilities and replication of another Charter School as disclosed in Note B. Temporarily restricted net assets at June 30, 2014 were restricted for a library for the new facility and the gala held in fiscal year ended June 30, 2015.

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

Revenue and support recognition

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

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

Contributions are recognized as revenue in the year the pledge is received and documented.

Contributions

Contributions received are recorded as unrestricted, temporarily or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

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

Cash and cash equivalents

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

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2015 or 2014.

Property and equipment

Property and equipment are recorded at cost. The Organization capitalizes all purchases of fixed assets in excess of \$5,000. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from 4 to 39 years. Construction in progress represents building, classroom and office improvements which have been performed on a new building that is not yet in service. Construction in progress is stated at cost. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Prior to the bond issued (Note G), leasehold improvements were amortized over the shorter of the estimated useful life of the asset or the remaining term of the related lease. These improvements are continuing to be amortized over the originally calculated life.

At June 30, 2015, the Charter School had additional commitments of approximately \$4,400,000 for construction in progress related to the completion of the building renovation project, all of which are expected to be incurred during year ending June 30, 2016.

Bond issuance costs and loan closing costs

Bond issuance costs and loan closing costs, which consist of deferred financing charges, are stated at cost and are amortized over the term of the bonds and loans which vary from 5 to 30 years through various dates up to April 2043.

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

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

Deferred lease incentive

The Charter School leases its office equipment. The lease escalated the original lease payments and caused a buy-out from the prior lease. In accordance with GAAP, the Charter School recognizes the related buy-out credit on a straight-line basis and records the difference between the recognized lease credit and the amounts receivable under the lease as a deferred lease incentive.

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.

Investments - restricted

Restricted investments consist of cash equivalents and U.S. government bond obligations held for debt service and capitalized interest.

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

Tax exempt status

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

The Charter School and Friends file Form 990 tax returns in the U.S. federal jurisdiction and Friends files in New York State. The tax returns for the years ended June 30, 2012 through June 30, 2015 are still subject to potential audit by the IRS. The Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years ended prior to June 30, 2012. Management of the Organization believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Contributed services

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

The Charter School received contributed legal services which were valued at \$59,805 and \$110,541 and are included in contributed services in the accompanying combined statement of activities and changes in net assets for the years ended June 30, 2015 and 2014, respectively.

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

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

Marketing and recruiting costs

The Organization expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$28,212 and \$56,144 for the years ended June 30, 2015 and 2014, respectively.

Use of estimates in the preparation of combined financial statements

The preparation of combined 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 combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparatives for year ended June 30, 2014

The combined financial statements include certain prior year summarized comparative information in total, but not by net asset class and 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 Organization's combined financial statements for the period ended June 30, 2014, from which the summarized information was derived.

Reclassifications

Certain 2014 balances have been reclassified to conform to the 2015 presentation.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 28, 2015, which is the date the combined financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: RELATED PARTY TRANSACTIONS

The Charter School received grant and other funding to pay for expenses to complete school replication in Connecticut. The school paid for certain expenses relating to the opening of Stamford Charter School for Excellence ("Stamford"). Stamford opened subsequent to year end. Further, the School received funding which is to be paid to Stamford to fund operating expenses and is included in due to related party at June 30, 2015 in the amount of \$274,800.

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

NOTE C: SCHOOL FACILITIES

The Charter School entered into a four-year operating lease agreement not cancelable for three years with an unrelated third party for a facility in the borough of Bronx, New York in August 2010. This facility is being used to operate classes for students in grades fifth through eighth. This lease provided a leasehold incentive (work credit) of \$78,173 for costs to be incurred by the Charter School to renovate the exterior of the building providing space for its middle school. The work credit is being amortized against the base rent on a monthly basis during the entire term of this lease. Rent expense totaled \$234,000 and \$136,000 for the years ended June 30, 2015 and 2014, respectively.

The Charter School extended the lease through June 2016. Monthly rental payments were \$16,000 through July 2015 and \$14,000 through June 2016.

Friends entered into a lease with monthly payments of \$4,750 through September 2016.

The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	225,000
2017	<u>\$ 14,250</u>
	239,250

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 914,772	\$ 914,772
Buildings	6,748,465	5,230,217
Furniture and fixtures	202,859	180,957
Computers and software	343,139	274,122
Construction in progress	18,939,245	11,387,171
Leasehold improvements	<u>911,325</u>	<u>893,875</u>
	28,059,805	18,881,114
Less accumulated depreciation and amortization	<u>1,686,841</u>	<u>1,421,395</u>
	<u>\$ 26,372,964</u>	<u>\$ 17,459,719</u>

Total depreciation expense was \$265,446 and \$318,935 for the years ended June 30, 2015 and 2014, respectively.

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

NOTE E: OPERATING LEASE

During January 2014, the Charter School canceled its lease of office equipment under a lease agreement that would have expired March 2016. The Charter School entered into a new lease for office equipment under a non-cancelable lease agreement at a monthly cost of \$2,578 that will expire February 2019. Associated with this new lease the Charter School received a buy-out for the remaining payments for its prior lease totaling \$20,800. The Charter School recorded the total buy-out amount as a deferred lease incentive and will recognize approximately \$350 per month for the duration of the new lease as other income. The Charter School recognized approximately \$1,700 for each of the years ended June 30, 2015 and 2014.

The Charter School leases office equipment under non-cancelable lease agreements at a monthly cost of \$1,342 that will expire at various dates through October 2019.

The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 45,000
2017	45,000
2018	37,000
2019	23,000
2020	<u>2,000</u>
	<u>\$ 150,000</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

NOTE F: FAIR VALUE MEASUREMENTS

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

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014:

Cash and cash equivalents, commercial paper, and money market funds: Fair value equals cost.

U.S. Government and Agency securities: Valued by third-party brokers based on terms and conditions using trades, bid price or spread, two sided markets, quotes, benchmark curves, discount rates, TRACE trade reports, financial statements and trustee reports.

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

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

NOTE F: FAIR VALUE MEASUREMENTS, Cont'd

The following table sets forth by level, within the fair value hierarchy; the Charter School's restricted investment assets measured at fair value on a recurring basis as of June 30, 2015 and 2014:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
<u>June 30, 2015:</u>				
Money market	\$ 4,535,059	\$ -	\$ -	\$ 4,535,059
Commercial paper	-	8,209	-	8,209
U.S. government and agency securities	-	70,044	-	70,044
Total assets at fair value	\$ 4,535,059	\$ 78,253	\$ -	\$ 4,613,312

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
<u>June 30, 2014:</u>				
Money market	\$ 4,325,959	\$ -	\$ -	\$ 4,325,959
Commercial paper	-	4,697,849	-	4,697,849
U.S. government and agency securities	-	2,801,560	-	2,801,560
Total assets at fair value	\$ 4,325,959	\$ 7,499,409	\$ -	\$ 11,825,368

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

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

NOTE G: BONDS PAYABLE

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

Revenue bonds outstanding as of June 30, 2015 and 2014:

Year	Series A		Series B		Total
	Principal	Interest Rate	Principal	Interest Rate	
2016	\$ -		\$ 155,000	5%	\$ 155,000
2017	-		445,000	5%	445,000
2018	380,000	3%	90,000	5%	470,000
2019	485,000	4%	-		485,000
2020	505,000	4%	-		505,000
Thereafter	21,940,000	4-5.5%	-		21,940,000
	<u>\$ 23,310,000</u>		<u>\$ 690,000</u>		<u>\$ 24,000,000</u>

Principal payments for the Series A and B bonds are due annually, as indicated, on April 1.

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

The Series B bonds have a stated rate and maturity of 5% and 2018, respectively. The bonds are subject to mandatory sinking fund installments beginning in 2016.

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

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

NOTE G: BONDS PAYABLE, Cont'd

In accordance with the loan agreement, the proceeds from the sale of the revenue bonds were placed in a Project Fund, maintained by U.S. Bank. The trustee is to use the monies in this fund to make payments to or on behalf of the Charter School to pay for the costs of the project upon receipt of written requisitions. Any monies remaining in the Project Fund will be transferred to the Redemption Account of the Bond Fund, to be applied by the trustees towards the redemption of the bonds. At June 30, 2015 and 2014, the unexpended balances were \$78,253 and \$7,499,409, respectively, which is included in restricted investments.

The Charter School is subject to certain loan covenants which require the Charter School to maintain specified cash on hand, debt service coverage ratio and limitations on further indebtedness. The Charter School is in compliance with all loan covenants as of June 30, 2015 and 2014.

Total issuance costs of approximately \$1,621,000 are being amortized over the life of the bonds. Amortization expense of \$106,553 and \$111,298 were recorded for the years ended June 30, 2015 and 2014, respectively. The Charter School incurred net interest expense of approximately \$1,147,000 of which \$958,000 was capitalized and is included in construction-in-progress and approximately \$189,000 is recognized in the combined statement of activities and changes in net assets for the year ended June 30, 2015. The Charter School incurred net interest expense of approximately \$1,152,000 of which \$1,008,000 was capitalized and is included in construction-in-progress and approximately \$144,000 is recognized in the combined statement of activities and changes in net assets for the year ended June 30, 2014.

NOTE H: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering all eligible employees. The Charter School matches up to 5% of each employee's annual compensation not to exceed the employee's salary deferral amount. The Charter School may also elect to make additional contributions to the plan on a discretionary basis. For the years ended June 30, 2015 and 2014 the Charter School made contributions of approximately \$104,000 and \$108,000, respectively.

NOTE I: 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 Organization. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying combined financial statements. Accordingly, no amounts have been provided in the accompanying combined financial statements for such potential claims.

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

NOTE J: CONCENTRATIONS

At June 30, 2015, approximately 88% of grants and other receivables are due from New York State relating to certain grants.

At June 30, 2014, approximately 67% of grants and other receivables are due from New York State relating to certain grants.

For the years ended June 30, 2015 and 2014, 80% and 87%, 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.

**BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.**

OTHER COMBINING FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON COMBINING FINANCIAL INFORMATION

Board of Trustees
Bronx Charter School for Excellence
Friends of Bronx Charter School for Excellence, Inc.

We have audited the combined financial statements of Bronx Charter School for Excellence and Friends of Bronx Charter School for Excellence, Inc. as of and for the year ended June 30, 2015, and have issued our report thereon dated October 28, 2015, which contained an unmodified opinion on those combined financial statements. Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The 2015 combining information is presented for purposes of additional analysis and is not a required part of the combined 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 combining financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combining financial statements for the year ended June 30, 2015, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 28, 2015

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

COMBINING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015
(With Comparative Totals for 2014)

<u>ASSETS</u>	June 30,				
	2015			2014	
	Bronx Charter School for Excellence	Friends of Bronx Charter School for Excellence, Inc.	Eliminations	Total	Total
<u>CURRENT ASSETS</u>					
Cash and cash equivalents	\$ 2,289,748	\$ 1,750,931	\$ -	\$ 4,040,679	\$ 1,274,427
Grants and other receivables	191,365	20,000	-	211,365	583,918
Prepaid expenses	115,704	10,931	-	126,635	106,018
Security deposits	9,185	10,010	-	19,195	9,185
Due from affiliate	184,444	-	(184,444)	-	-
TOTAL CURRENT ASSETS	2,790,446	1,791,872	(184,444)	4,397,874	1,973,548
<u>PROPERTY AND EQUIPMENT, net</u>	26,372,964	-	-	26,372,964	17,459,719
<u>OTHER ASSETS</u>					
Investments - restricted	4,613,312	-	-	4,613,312	11,825,368
Bond issuance costs and loan closing costs, net of accumulated amortization of \$240,279 and \$133,726, respectively	1,380,759	-	-	1,380,759	1,487,312
	5,994,071	-	-	5,994,071	13,312,680
TOTAL ASSETS	\$ 35,157,481	\$ 1,791,872	\$ (184,444)	\$ 36,764,909	\$ 32,745,947
<u>LIABILITIES AND NET ASSETS</u>					
<u>CURRENT LIABILITIES</u>					
Current portion of long-term debt	\$ 155,000	\$ -	\$ -	\$ 155,000	\$ -
Accounts payable	837,078	112,923	-	950,001	248,304
Accrued expenses	335,167	-	-	335,167	361,826
Accrued payroll and benefits	849,362	-	-	849,362	744,022
Accrued construction retainage	1,055,256	-	-	1,055,256	572,874
Deferred revenue	4,897	340,000	-	344,897	279,672
Deferred lease incentive	14,907	-	-	14,907	19,067
Due to related party	55,075	404,169	(184,444)	274,800	-
TOTAL CURRENT LIABILITIES	3,306,742	857,092	(184,444)	3,979,390	2,225,765
<u>OTHER LIABILITIES</u>					
Bonds payable, net	25,778,980	-	-	25,778,980	26,017,428
Reserve for payment of debt service	1,540,000	-	-	1,540,000	1,540,000
	27,318,980	-	-	27,318,980	27,557,428
<u>NET ASSETS</u>					
Unrestricted	4,371,579	934,780	-	5,306,359	2,860,579
Temporarily restricted	160,180	-	-	160,180	102,175
	4,531,759	934,780	-	5,466,539	2,962,754
TOTAL LIABILITIES AND NET ASSETS	\$ 35,157,481	\$ 1,791,872	\$ (184,444)	\$ 36,764,909	\$ 32,745,947

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	Year ended June 30,				
	2015			2014	
	Bronx Charter School for Excellence	Friends of Bronx Charter School for Excellence, Inc.	Eliminations	Total	Total
Operating revenue and support:					
State and local per pupil operating revenue	\$ 9,690,940	\$ -	\$ -	\$ 9,690,940	\$ 8,199,935
Grants	657,280	-	-	657,280	647,784
Contributions	564,742	516,294	-	1,081,036	377,315
Contributed services	59,730	75	-	59,805	110,541
Fundraising	166,654	384,735	-	551,389	2,355
Investment income	14,290	447	-	14,737	43,044
Other income	1,824	900	-	2,724	37,718
TOTAL OPERATING REVENUE AND SUPPORT	11,155,460	902,451	-	12,057,911	9,418,692
Expenses:					
Program:					
Regular education	6,057,290	253,122	-	6,310,412	4,993,371
Special education	1,343,073	31,356	-	1,374,429	1,173,829
Management and general	1,512,405	69,788	-	1,582,193	1,889,676
Fundraising and special events	28,787	258,305	-	287,092	59,417
TOTAL EXPENSES	8,941,555	612,571	-	9,554,126	8,116,293
CHANGE IN NET ASSETS	2,213,905	289,880	-	2,503,785	1,302,399
Net assets at beginning of year	2,317,854	644,900	-	2,962,754	1,660,355
NET ASSETS AT END OF YEAR	\$ 4,531,759	\$ 934,780	\$ -	\$ 5,466,539	\$ 2,962,754

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

STATEMENT OF FUNCTIONAL EXPENSES – BRONX CHARTER SCHOOL FOR EXCELLENCE

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	Year ended June 30, 2015						Year ended June 30, 2014	
	Program Services			Supporting Services				
	Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total		Total
Personnel Services Costs:								
Administrative staff personnel	\$ 95,898	\$ 23,974	\$ 119,872	\$ 359,616	\$ -	\$ 359,616	\$ 479,488	\$ 332,734
Instructional personnel	2,615,930	655,188	3,271,118	-	-	-	3,271,118	2,879,312
Non-instructional personnel	914,050	210,221	1,124,271	139,201	-	139,201	1,263,472	1,129,699
Total salaries and wages	3,625,878	889,383	4,515,261	498,817	-	498,817	5,014,078	4,341,745
Payroll taxes and employee benefits	1,059,908	241,984	1,301,892	152,074	408	152,482	1,454,374	1,202,304
Professional development	17,267	4,271	21,538	6,914	1,079	7,993	29,531	19,563
Legal fees	-	-	-	621	-	621	621	38,425
Audit/accounting fees	-	-	-	29,300	-	29,300	29,300	81,723
Financial management services	13,253	6,627	19,880	112,653	-	112,653	132,533	95,895
Professional services	112,414	15,698	128,112	289,751	386	290,137	418,249	477,909
Student and staff recruitment	25,869	1,651	27,520	0	-	-	27,520	55,669
Curriculum and classroom supplies	228,778	10,027	238,805	6,301	338	6,639	245,444	149,599
Office expenses	82,296	19,884	102,180	12,496	670	13,166	115,346	86,886
Food services	-	-	-	-	-	-	-	36,927
Student services	121,055	8,218	129,273	-	-	-	129,273	133,961
Insurance	98,884	22,742	121,626	14,292	767	15,059	136,685	76,295
Information technology	-	-	-	929	-	929	929	7,786
Occupancy and utilities	251,771	57,904	309,675	36,389	1,953	38,342	348,017	336,193
Non-capitalized equipment and furnishings	-	-	-	2,361	-	2,361	2,361	15,817
Repairs and maintenance	114,868	26,419	141,287	16,603	891	17,494	158,781	114,719
Depreciation and amortization	260,399	37,200	297,599	74,400	-	74,400	371,999	430,233
Interest expense	-	-	-	188,858	-	188,858	188,858	144,215
Special events	-	-	-	-	1,714	1,714	1,714	751
Other	44,650	1,065	45,715	69,646	20,581	90,227	135,942	145,826
	<u>\$ 6,057,290</u>	<u>\$ 1,343,073</u>	<u>\$ 7,400,363</u>	<u>\$ 1,512,405</u>	<u>\$ 28,787</u>	<u>\$ 1,541,192</u>	<u>\$ 8,941,555</u>	<u>\$ 7,992,441</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR EXCELLENCE, INC.

STATEMENT OF FUNCTIONAL EXPENSES – FRIENDS OF BRONX CHARTER SCHOOL FOR
EXCELLENCE, INC.

YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

Year ended June 30, 2015

	Program Services			Supporting Services			Total	Year ended June 30, 2014
	Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total		
Personnel services costs:								
Administrative staff personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,000
Non-instructional personnel	31,395	7,221	38,616	4,781	-	4,781	43,397	24,075
Total salaries and wages	31,395	7,221	38,616	4,781	-	4,781	43,397	79,075
Professional development	2,904	743	3,647	1,524	259	1,783	5,430	4,467
Legal fees	-	-	-	25,042	-	25,042	25,042	3,483
Audit/accounting fees	-	-	-	-	-	-	-	5,512
Professional services	93,874	318	94,192	160	-	160	94,352	1,500
Student and staff recruitment	650	42	692	-	-	-	692	475
Curriculum and classroom supplies	506	117	623	73	4	77	700	240
Office expenses	(39)	118	79	74	4	78	157	7
Student services	399	27	426	-	57,975	57,975	58,401	24,571
Insurance	5,041	1,159	6,200	5,230	39	5,269	11,469	3,471
Repairs and maintenance	1,864	428	2,292	269	14	283	2,575	-
Informational technology	-	1,808	1,808	-	-	-	1,808	-
Occupancy and utilities	31,429	7,229	38,658	4,543	244	4,787	43,445	-
Replication expenses	85,024	12,146	97,170	24,293	-	24,293	121,463	-
Special events	-	-	-	-	199,766	199,766	199,766	133
Other	75	-	75	3,799	-	3,799	3,874	918
	<u>\$ 253,122</u>	<u>\$ 31,356</u>	<u>\$ 284,478</u>	<u>\$ 69,788</u>	<u>\$ 258,305</u>	<u>\$ 328,093</u>	<u>\$ 612,571</u>	<u>\$ 123,852</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE AND
FRIENDS OF BRONX CHARTER SCHOOL FOR
EXCELLENCE, INC.

ADVISORY COMMENT LETTER

JUNE 30, 2015



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 28, 2015

To the Board of Trustees
Bronx Charter School for Excellence
Friends of Bronx Charter School for Excellence, Inc.

In planning and performing our audit of the combined financial statements of Bronx Charter School for Excellence and Friends of Bronx Charter School for Excellence, Inc. as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Bronx Charter School for Excellence and Friends of Bronx Charter School for Excellence, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of Bronx Charter School for Excellence and Friends of Bronx Charter School for Excellence, Inc.'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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

During the course of our audit of the combined financial statements of Bronx Charter School for Excellence and Friends of Bronx Charter School for Excellence, Inc. as of and for the year ended June 30, 2015, we observed the Organization's significant accounting policies and certain business, financial and administrative practices. As a result of our observations, we noted the following, which we do not consider to be significant deficiencies or material weaknesses:

Status of matters included in our letter as of June 30, 2014, dated October 23, 2014:

Bank Reconciliations

During our audit, we noted per the FPP, when the Charter School receives its bank statements in the mail they should be opened and reviewed by the Head of School. With this review, the Head of School is to sign and date the bank statement and give it to the Director of Finance and Operations for reconciliation. During our walkthrough of the procedures in the FPP, we noted the Head of School is not signing off on the bank statements to show it has been received and reviewed. We understand the Head of School typically reviews the bank statement on-line prior to receiving the hard copy statement. Once she reviews the statement on-line she forwards an electronic copy of the statement to accounting.

Recommendation

We recommend the Charter School adhere to its FPP and have the Head of School sign off on bank statements after they have been reviewed or document in the email to accounting that she has reviewed the electronic statements prior to forwarding.

Status at June 30, 2015

During our 2015 audit, we reviewed a monthly bank reconciliation and noted a signature from the Head of School. Controls that pertain to bank reconciliations appear to be working properly.

Dual Signatures

During our audit, we noted a check over \$10,000 did not have two signatures on it or an approval on the applicable Expense Submission form. Per the FPP, double signatures are required for disbursements over \$10,000 unless the disbursement is for rent or health insurance. The transaction in question was for accounting services with a third party company.

Recommendation

We recommend the Charter School adhere to its FPP for all amounts over \$10,000 unless they meet one of the exceptions.

Status at June 30, 2015

During our 2015 audit, we reviewed a check over \$10,000. We noted the check had dual signatures which follows the FPP. Controls that pertain to cash disbursements over \$10,000 appear to be working properly.

Minutes

During our audit, we noted minutes of the Finance Committee meetings were not maintained.

Recommendation

We recommended minutes of all Board committees be maintained. The Form 990 inquires if all committee meetings were documented as well as meetings of the governing body. Keeping minutes of all meetings is also an indication of good governance.

Status at June 30, 2015

During our 2015 audit, we noted the Charter School did maintain minutes of the Finance Committee meetings.

* * * * *

This communication is intended solely for the information and use of Management, Finance Committee Members, others within the organization, and governmental authorities and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciated the outstanding cooperation from your staff that our personnel received during the audit of Bronx Charter School for Excellence and Friends of Bronx Charter School for Excellence, Inc.'s financial statements. Should you have any question or comments, please contact Michelle Cain or Kate Welc.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP

BRONX CHARTER SCHOOL FOR EXCELLENCE

BRONX, NEW YORK

**SCHEDULES REQUIRED BY GOVERNMENT
AUDITING STANDARDS AND OMB CIRCULAR A-133**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2015



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

PAGE

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 <i>Government Auditing Standards</i>	3
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 Required by OMB Circular A-133	5
Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9

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 Excellence

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 combined financial statements of Bronx Charter School for Excellence which comprise the combined statement of financial position as of June 30, 2015 and the related combined 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 28, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bronx Charter School for Excellence'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 opinions on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bronx Charter School for Excellence's internal control. Accordingly, we do not express an opinion on the effectiveness of Bronx Charter School for Excellence'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 combined 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 Excellence's combined 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*.

We noted certain matters that we have reported to management of Bronx Charter School for Excellence in a separate letter dated October 28, 2015.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 28, 2015

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 REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Bronx Charter School for Excellence

Report on Compliance for Each Major Federal Program

We have audited Bronx Charter School for Excellence's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bronx Charter School for Excellence's major federal programs for the year ended June 30, 2015. Bronx Charter School for Excellence'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 laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bronx Charter School for Excellence'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and Circular A-133 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 Excellence'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 on Bronx Charter School for Excellence's compliance.

Opinion on Each Major Program

In our opinion, Bronx Charter School for Excellence complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of Bronx Charter School for Excellence 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, we considered Bronx Charter School for Excellence's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 OMB Circular A-133, 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 Excellence's 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the combined financial statements of Bronx Charter School for Excellence as of and for the year ended June 30, 2015, and have issued our report thereon dated October 28, 2015, which contained an unmodified opinion on those combined financial statements. Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 28, 2015

BRONX CHARTER SCHOOL FOR EXCELLENCE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

	<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 IA - Grants to Local Educational Agencies	84.010	0021	\$ 272,630
Title IIA - Improving Teacher Quality State Grants	84.367	0147	9,644
Charter School Program - State Educational Agencies (SEA) Grant	84.282A	0089	235,000
<u>Passed through Partnership for Innovation in Compensation for Charter Schools (PICCS)</u>			
Teacher Incentive Fund	84.374	S374A00009	<u>32,591</u>
TOTAL ALL PROGRAMS			<u>\$ 549,865</u>

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bronx Charter School for Excellence and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

BRONX CHARTER SCHOOL FOR EXCELLENCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

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 510(a) of Circular A-133? _____ yes x no

Identification of major program:

<i>CFDA Number:</i>	<i>Name of Federal Program or Cluster:</i>
84.010	Title I - Grants to Local Educational Agencies
84.367	Title IIA - Improving Teacher Quality
84.282A	Charter School Program - State Educational Agencies (SEA) Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes x no

BRONX CHARTER SCHOOL FOR EXCELLENCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd
YEAR ENDED JUNE 30, 2015

FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM

None.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.