

# **Broome Street Academy Charter High School**

Financial Report  
June 30, 2018

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## Independent Auditor's Report

To the Board of Trustees  
Broome Street Academy Charter High School

### Report on the Financial Statements

We have audited the accompanying financial statements of Broome Street Academy Charter High School (BSA), which comprise the statements of financial position as of June 30, 2018 and 2017, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 BSA as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018 on our consideration of BSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is solely 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 effectiveness of BSA's 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 BSA's internal control over financial reporting and compliance.

*RSM US LLP*

New York, New York  
October 31, 2018

**Broome Street Academy Charter High School**

**Statements of Financial Position**

**June 30, 2018 and 2017**

	<b>2018</b>	2017
<b>Assets</b>		
Cash	\$ 2,252,549	\$ 2,177,293
Restricted cash	75,407	75,370
Grants, contracts and other receivables	136,812	149,998
Prepaid expenses and other assets	37,896	44,221
Property and equipment, net	<u>72,181</u>	169,751
<b>Total assets</b>	<b>\$ 2,574,845</b>	<b>\$ 2,616,633</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Refundable advances	\$ 13,813	\$ 8,753
Accounts payable and accrued expenses	758,473	707,648
Other	<u>20,998</u>	14,138
<b>Total liabilities</b>	<b><u>793,284</u></b>	<b>730,539</b>
Commitment and contingency		
Net assets:		
Unrestricted:		
Reserve - contingency	75,407	75,370
Undesignated for general use	1,633,973	1,634,398
Net investment in fixed assets	<u>72,181</u>	169,751
<b>Total unrestricted</b>	<b><u>1,781,561</u></b>	<b>1,879,519</b>
Temporarily restricted	-	6,575
<b>Total net assets</b>	<b><u>1,781,561</u></b>	<b>1,886,094</b>
<b>Total liabilities and net assets</b>	<b><u>\$ 2,574,845</u></b>	<b><u>\$ 2,616,633</u></b>

See notes to financial statements.

## Broome Street Academy Charter High School

### Statements of Activities Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Operating revenue:</b>						
State and local per pupil operating revenue:						
Resident student enrollment	\$ 4,670,781	\$ -	\$ 4,670,781	\$ 4,380,632	\$ -	\$ 4,380,632
Students with disabilities	1,082,795	-	1,082,795	1,044,697	-	1,044,697
Other	194,368	-	194,368	312,240	-	312,240
NYC DoE rental assistance	340,254	-	340,254	161,872	-	161,872
Government grants and contracts	319,132	-	319,132	228,349	-	228,349
In-kind contributions	283,107	-	283,107	281,226	-	281,226
Net assets released from time and purpose restrictions	6,575	(6,575)	-	24,425	(24,425)	-
<b>Total operating revenue</b>	<b>6,897,012</b>	<b>(6,575)</b>	<b>6,890,437</b>	<b>6,433,441</b>	<b>(24,425)</b>	<b>6,409,016</b>
<b>Operating expenses:</b>						
Program services:						
Regular education	4,773,584	-	4,773,584	4,129,327	-	4,129,327
Special education	1,315,736	-	1,315,736	1,243,232	-	1,243,232
<b>Total program services</b>	<b>6,089,320</b>	<b>-</b>	<b>6,089,320</b>	<b>5,372,559</b>	<b>-</b>	<b>5,372,559</b>
Management and general	1,080,260	-	1,080,260	1,073,941	-	1,073,941
<b>Total operating expenses</b>	<b>7,169,580</b>	<b>-</b>	<b>7,169,580</b>	<b>6,446,500</b>	<b>-</b>	<b>6,446,500</b>
<b>Net deficit from school operations</b>	<b>(272,568)</b>	<b>(6,575)</b>	<b>(279,143)</b>	<b>(13,059)</b>	<b>(24,425)</b>	<b>(37,484)</b>
<b>Public support and other revenues (expenses):</b>						
Public support:						
Contributions	140,938	-	140,938	137,077	-	137,077
Foundation and corporate support	1,894	-	1,894	27,000	-	27,000
Special events, net of expenses of \$96,200 and \$58,929, respectively	253,190	-	253,190	177,179	-	177,179
<b>Total public support</b>	<b>396,022</b>	<b>-</b>	<b>396,022</b>	<b>341,256</b>	<b>-</b>	<b>341,256</b>
<b>Other revenue (expenses):</b>						
Interest income	1,371	-	1,371	1,374	-	1,374
Miscellaneous	1,778	-	1,778	2,481	-	2,481
Fundraising expenses	(224,561)	-	(224,561)	(204,687)	-	(204,687)
<b>Total public support and other revenue (expenses)</b>	<b>174,610</b>	<b>-</b>	<b>174,610</b>	<b>140,424</b>	<b>-</b>	<b>140,424</b>
<b>Change in net assets</b>	<b>(97,958)</b>	<b>(6,575)</b>	<b>(104,533)</b>	<b>127,365</b>	<b>(24,425)</b>	<b>102,940</b>
<b>Net assets:</b>						
Beginning	1,879,519	6,575	1,886,094	1,752,154	31,000	1,783,154
Ending	<b>\$ 1,781,561</b>	<b>\$ -</b>	<b>\$ 1,781,561</b>	<b>\$ 1,879,519</b>	<b>\$ 6,575</b>	<b>\$ 1,886,094</b>

See notes to financial statements.

**Broome Street Academy Charter High School**

**Statements of Functional Expenses**  
**Years Ended June 30, 2018 and 2017**

	2018												2017																		
	Program Services						Management and General			Fund Raising			Total Supporting Services			Program Services						Management and General			Fund Raising			Total Supporting Services			Total Expenses
	Regular Education	Special Education	Total													Regular Education	Special Education	Total													
<b>Salaries:</b>																															
Administrative staff	\$ 62,857	\$ 16,132	\$ 78,989	\$ 341,725	\$ 22,646	\$ 364,371	\$ 443,360	\$ 175,410	\$ 40,264	\$ 215,674	\$ 290,308	\$ 35,272	\$ 325,580	\$ 541,254																	
Instructional	2,048,217	566,483	2,614,700	-	-	-	2,614,700	2,025,656	674,045	2,699,701	-	-	-	-												2,699,701					
Non-instructional	830,543	223,200	1,053,743	-	-	-	1,053,743	507,365	114,502	621,867	-	-	-	-												621,867					
Payroll taxes and employee benefits	720,424	184,517	904,941	88,058	3,990	92,048	996,989	636,512	182,215	818,727	80,124	6,992	87,116	905,843																	
Professional and administrative fees	300,508	94,986	395,494	490,986	189,495	680,481	1,075,975	49,532	14,551	64,083	545,975	157,113	703,088	767,171																	
Audit fees	25,966	8,741	34,707	3,715	-	3,715	38,422	21,450	7,367	28,817	2,857	-	2,857	31,674																	
Advertising and recruitment	32,349	10,556	42,905	4,542	-	4,542	47,447	22,443	6,817	29,260	2,836	317	3,153	32,413																	
Equipment and software maintenance	59,776	19,364	79,140	8,328	6,060	14,388	93,528	51,600	16,764	68,364	4,804	2,692	7,496	75,860																	
Equipment purchases	34,829	9,783	44,612	3,313	-	3,313	47,925	37,620	10,277	47,897	6,278	-	6,278	54,175																	
Insurance	24,216	8,152	32,368	3,465	-	3,465	35,833	25,913	8,900	34,813	3,451	-	3,451	38,264																	
Membership dues	15,438	5,180	20,618	2,066	705	2,771	23,389	21,157	5,864	27,021	576	943	1,519	28,540																	
Occupancy costs	335,697	92,052	427,749	80,120	-	80,120	507,869	327,164	90,314	417,478	79,232	-	79,232	496,710																	
Office, instructional supplies and materials	62,407	18,855	81,262	8,412	-	8,412	89,674	54,241	16,391	70,632	9,984	886	10,870	81,502																	
Postage, printing and copying	710	238	948	3,301	1,539	4,840	5,788	266	79	345	3,947	24	3,971	4,316																	
Staff development	59,382	10,907	70,289	15,445	11	15,456	85,745	36,401	11,087	47,488	13,250	-	13,250	60,738																	
Student meals	108	11	119	-	-	-	119	6,699	1,933	8,632	488	-	488	9,120																	
Telephone	28,050	9,868	37,918	3,929	-	3,929	41,847	10,181	7,549	17,730	2,896	-	2,896	20,626																	
Travel	861	2	863	16	30	46	909	1,075	335	1,410	488	13	501	1,911																	
Youth events	60,453	16,867	77,320	706	-	706	78,026	30,591	9,100	39,691	2,732	-	2,732	42,423																	
Miscellaneous expenses	2,856	675	3,531	6,156	85	6,241	9,772	1,494	458	1,952	3,827	391	4,218	6,170																	
Depreciation and amortization	67,937	19,167	87,104	15,977	-	15,977	103,081	86,557	24,420	110,977	19,888	44	19,932	130,909																	
<b>Total expenses</b>	<b>\$ 4,773,584</b>	<b>\$ 1,315,736</b>	<b>\$ 6,089,320</b>	<b>\$ 1,080,260</b>	<b>\$ 224,561</b>	<b>\$ 1,304,821</b>	<b>\$ 7,394,141</b>	<b>\$ 4,129,327</b>	<b>\$ 1,243,232</b>	<b>\$ 5,372,559</b>	<b>\$ 1,073,941</b>	<b>\$ 204,687</b>	<b>\$ 1,278,628</b>	<b>\$ 6,651,187</b>																	

See notes to financial statements.

**Broome Street Academy Charter High School**

**Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
Cash flows from operating activities:		
Change in net assets	\$ (104,533)	\$ 102,940
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	103,081	130,909
Changes in operating assets and liabilities:		
Decrease (increase) in grants, contracts and other receivables	13,186	(87,896)
Decrease (increase) in prepaid expenses and other assets	6,325	(17,615)
Increase in refundable advances	5,060	7,150
Increase in accounts payable and accrued expenses	50,825	126,705
Increase (decrease) in other liabilities	6,860	(1,578)
<b>Net cash provided by operating activities</b>	<b>80,804</b>	260,615
Cash flows from investing activities:		
Acquisitions of property and equipment	(5,511)	(10,054)
Increase in restricted cash	(37)	(37)
<b>Net cash used in investing activities</b>	<b>(5,548)</b>	(10,091)
<b>Net change in cash</b>	<b>75,256</b>	250,524
Cash:		
Beginning	<b>2,177,293</b>	1,926,769
Ending	<b>\$ 2,252,549</b>	\$ 2,177,293

See notes to financial statements.

## **Broome Street Academy Charter High School**

### **Notes to Financial Statements**

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#### **Note 1. Principal Business Activity and Summary of Significant Accounting Policies**

Broome Street Academy Charter High School (BSA) is a New York State, not-for-profit educational corporation operating as a charter school in Manhattan, New York. On October 19, 2010, the Board of Regents of the University of the State of New York granted the BSA a provisional charter valid for a term of five years and renewable upon expiration. In April 2016, BSA's charter was renewed for five additional years. The BSA's charter states that it will provide instruction to students in the ninth through twelfth grades for a period of five years.

BSA prepares its students for post-secondary success that leads to positive life outcomes. BSA values student strengths and provides multiple pathways to success through a curriculum of rigorous academic, career and social instruction grounded in the principles of positive youth development. BSA is a tuition-free public charter high school devoted to providing students the necessary skills and support to graduate, while preparing them for a successful future beyond high school. The BSA's admissions policy gives preference to students who are homeless, in foster care, or from low performing middle schools.

BSA opened in the fall of 2011 with a freshman class. Since then, BSA grew by one grade level at a time until it hit capacity (ninth through twelfth grade) in the 2015-2016 school year. The BSA model merges academic, social, and emotional services to prepare students to graduate with a New York State Regents diploma, providing opportunities for a successful future. Additionally, BSA is partnered with, and housed within, The Door - A Center of Alternatives, Inc. (The Door), a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (the Code). Founded in 1972, The Door is a leading youth development agency that offers a full range of supportive programming in the areas of health, mental health, career and workforce development, legal services, supportive housing, and arts and recreation. Through the support found at BSA and The Door, New York City's most at-risk students will realize their greatest potential.

#### **Note 2. Summary of Significant Accounting Policies**

**Basis of financial statement presentation:** The financial statements of the BSA have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

**Financial statement presentation and net assets:** Net assets are classified and presented as unrestricted, temporarily restricted and permanently restricted based on the designation of donors. BSA had no permanently restricted net assets at June 30, 2018 and 2017.

**Cash and concentration of credit risk:** BSA's cash in bank accounts is maintained with one financial institution, and balances at times may exceed federally insured limits. The BSA has not experienced any losses in such accounts.

**Accounts receivable:** Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. There was no allowance for doubtful accounts as of June 30, 2018 and 2017. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

**Grants and refundable advances:** BSA records certain government grants and contracts as refundable advances and deferred revenue until related services are performed, at which time it is recognized as revenue.

## **Broome Street Academy Charter High School**

### **Notes to Financial Statements**

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#### **Note 2. Summary of Significant Accounting Policies (Continued)**

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

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

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

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

A number of volunteers have made a contribution of their time to BSA to develop its academic and other program and to serve on its Board of Trustees (Board). The value of this contributed time is not reflected in these financial statements as such services do not meet the criteria for recognition under GAAP as such services either do not require specialized skills or would not typically be purchased had they not been provided by donation.

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

**Property and equipment and related depreciation and amortization:** Property and equipment is recorded at cost. Additions and improvements in excess of \$5,000 with an estimated useful life of more than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease.

**Accounting estimates:** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**Income taxes:** BSA is exempt from federal income taxes under Section 501(c)(3) of the Code. As a nonprofit organization, BSA is subject to unrelated business income tax (UBIT), if applicable. For the years ended June 30, 2018 and 2017, BSA did not owe any UBIT. Management has evaluated BSA's tax positions and concluded that the BSA had taken no uncertain tax positions that require adjustments or disclosure to these financial statements. Generally, BSA is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for tax years before 2015, which is the standard statute of limitations look-back period.

## **Broome Street Academy Charter High School**

### **Notes to Financial Statements**

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#### **Note 2. Summary of Significant Accounting Policies (Continued)**

**Recently issued accounting pronouncements:** In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This new standard will replace all current GAAP guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five step analysis of transactions to determine when and how revenue is recognized. Enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers are also required.

In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 for one year, making it effective for BSA for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted as of an annual reporting period beginning after December 15, 2016. This guidance can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Management has not yet selected a transition method and is in the process of evaluating the impact of adopting this new accounting standard.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The standard is effective for annual report periods beginning after December 15, 2019, with early adoption permitted. Management has not evaluated the impact of this ASU on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management has not evaluated the impact of this ASU on the financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. These amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. BSA has not evaluated the impact that adoption will have on the statements of cash flows.

## **Broome Street Academy Charter High School**

### **Notes to Financial Statements**

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#### **Note 2. Summary of Significant Accounting Policies (Continued)**

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments*, which will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 will be effective for fiscal years beginning after December 15, 2018, and will require adoption on a retrospective basis unless it is impracticable to apply, in which case we would be required to apply amendments prospectively as of the earliest date practicable. The Organization is currently evaluating the impact of this ASU on the financial statements and disclosures.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contribution Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. As BSA is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted. BSA is currently evaluating the impact of the adoption of this guidance on its financial statements.

#### **Note 3. Restricted Cash**

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

#### **Note 4. Property and Equipment, Net**

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

	2018	2017	Estimated Useful Life
Furniture and equipment	\$ 234,313	\$ 234,313	3-5 years
Computer equipment and software	620,740	615,228	3-5 years
Leasehold improvements	950,322	950,322	Term of lease
	1,805,375	1,799,863	
Less accumulated depreciation and amortization	(1,733,194)	(1,630,112)	
	\$ 72,181	\$ 169,751	

#### **Note 5. Pension Plan**

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

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

## **Broome Street Academy Charter High School**

### **Notes to Financial Statements**

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#### **Note 5. Pension Plan (Continued)**

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

During the years ended June 30, 2018 and 2017, BSA contributed \$119,825 and \$117,620, respectively, to the plan.

#### **Note 6. Related Party Transactions**

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

Pursuant to an approved services agreement, BSA paid The Door \$445,302 and \$371,379 during the years ended June 30, 2018 and 2017, respectively, for administrative support and fund-raising services, human resources services, fiscal management and information technology. Such amounts are included as professional and administrative fees in the statements of functional expenses. As of June 30, 2018 and 2017, BSA owed The Door an amount of \$7,244 and \$37,109, respectively, which was included in accounts payable and accrued expenses in the statements of financial position. Service agreements between BSA and The Door are reviewed and approved annually by the Board.

BSA had a five-year operating lease agreement, commencing on July 1, 2011, with The Door for classrooms and office space at 121 Avenue of the Americas, New York, NY 10013, which expired on June 30, 2016. Pursuant to subsequent amendments to this lease agreement, BSA paid The Door rent that amounted to \$481,287 and \$467,269 for the years ended June 30, 2018 and 2017, respectively. Such amounts are included as occupancy cost in the statements of functional expenses. As part of the lease amendment entered into in June 2018, BSA extended the lease agreement with The Door for a one-year term, which is set to expire on June 30, 2019. The aggregate future minimum rent is \$495,726.

During the years ended June 30, 2018 and 2017, BSA, together with The Door, and University Settlement, two other 501(C)(3) organizations, held a joint special fundraising event from which BSA's gross share of revenue amounted to \$349,390 and \$236,108, respectively and its net proceeds (after expenses) were \$253,190 and \$177,179.

During the years ended June 30, 2018 and 2017, BSA received an in-kind legal service from member of the Board in the amount of \$265,000 and \$272,630, respectively.

#### **Note 7. Rental Assistance**

During the years ended June 30, 2018 and 2017, BSA recognized \$175,202 and \$161,872, respectively, of rental assistance payments from the City of New York.

## **Broome Street Academy Charter High School**

### **Notes to Financial Statements**

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#### **Note 8. Contingency**

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

#### **Note 9. Subsequent Events**

BSA evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was October 31, 2018 for these financial statements.

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards**

To the Board of Trustees  
Broome Street Academy Charter High School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Broome Street Academy Charter High School (BSA), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as 2018-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether BSA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as 2018-001.

### **BSA's Response to Findings**

BSA's response to the findings identified in our audit, are described in the accompanying schedule of findings and responses. BSA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

*RSM US LLP*

New York, New York  
October 31, 2018

## **Broome Street Academy Charter High School**

### **Schedule of Findings and Responses**

**Year Ended June 30, 2018**

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#### **Significant Deficiency and Compliance Finding**

##### **2018-001. Maintenance of Student Records**

**Criteria:** Charter schools receive public funding based on the number of students served and the authorized tuition rate for the school district of residence of the students attending the charter school. Accordingly, a charter school should maintain valid proof of residence and adequate admission and attendance records of students.

**Condition:** Our test of 20 student folders disclosed the following: (a) 1 student folder did not contain registration or application forms, or the registration or application forms were not signed by the parent or guardian

**Cause:** BSA serves New York City's most at-risk students, many of whom are homeless or in foster care, making it difficult for management to obtain the appropriate documentation.

**Effect:** Lack of valid proof of residency and adequate admission records makes it difficult to determine that the appropriate school district was billed for the correct level of the services (i.e. FTE).

**Recommendation:** We recommend the following courses of action:

A review of student folders should be performed during the course of the year so that students, parents, guardians or caregivers could be promptly requested to submit missing documentation and signature.

**FY2016 Status Update:** Our test of 25 student folders disclosed the following: (a) 3 student folders did not contain copy of the child's birth certificate; and (b) 5 student folders did not contain registration or application forms, or the registration or application forms were not signed by the parent or guardian.

**FY2017 Status Update:** Our test of 25 student folders disclosed 4 student folders did not contain registration or application forms, or the registration or application forms were not signed by the parent or guardian. All 4 individuals were admitted to the school in fiscal year-end June 30, 2016 and prior.

**FY2018 Status Update:** Our test of 20 student folders disclosed one student with application forms which was not signed by the parent or guardian. The student was admitted to the school in fiscal year-end June 30, 2017 and prior.

#### ***Management's Response and Corrective Actions:***

As reported in prior years' corrective action plans, prior to the 2016-2017, BSA participated in the Charter Center's Online Common Application used by all charter schools to extract the enrollment information, but was unable to print out a paper application. BSA has corrected this with the introduction of the Schoolmint software, which links with the common application enabling BSA to print the on-line application. BSA is now able to print the application and have the digital version on record. All students accepted through the lottery now go through Schoolmint, thus creating a digital application form that we print for the permanent student record.

**Broome Street Academy Charter High School**

**Schedule of Findings and Response**  
**Year Ended June 30, 2018**

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***Management's Response and Corrective Actions (Continued):***

All transfer students and any other students admitted post lottery, also apply through the Schoolmint software, therefore creating a digital file for all students that we print for the permanent student record.

In addition BSA completed an audit of all records for active students to make sure that all registration paperwork is submitted, recorded and filed in the active permanent student folder.

Management fully expects this matter to be resolved no later than the 2020-2021 school year, if not sooner, as all students admitted prior to the Schoolmint software would have graduated from BSA.