

**STOREFRONT ACADEMY CHARTER SCHOOL
D/B/A STOREFRONT ACADEMY CHARTER
SCHOOL SOUTH BRONX**

MANAGEMENT LETTER

JUNE 30, 2017



**Board of Trustees
Storefront Academy Charter School
d/b/a Storefront Academy Charter School South Bronx**

In planning and performing our audit of the financial statements of Storefront Academy Charter School d/b/a Storefront Academy Charter School South Bronx (the "School") as of June 30, 2017 and for the year then ended in accordance with auditing standards generally accepted in the United States of America, we considered the School'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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.

This communication is intended solely for the information and use of management, the Board of Trustees and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Loeb & Troper LLP".

April 30, 2018

**STOREFRONT ACADEMY CHARTER SCHOOL
D/B/A STOREFRONT ACADEMY CHARTER
SCHOOL SOUTH BRONX**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORTS**

JUNE 30, 2017

**STOREFRONT ACADEMY CHARTER SCHOOL
D/B/A STOREFRONT ACADEMY CHARTER
SCHOOL SOUTH BRONX**

TABLE OF CONTENTS

**Independent Auditor's Report on Financial Statements
and Supplementary Information**

Exhibit

A - Statement of Financial Position

B - Statement of Activities

C - Statement of Cash Flows

Notes to Financial Statements

Schedules

1 - Schedule of Functional Expenses

**STOREFRONT ACADEMY CHARTER SCHOOL
D/B/A STOREFRONT ACADEMY CHARTER
SCHOOL SOUTH BRONX**

**TABLE OF CONTENTS
(continued)**

**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**

Summary Schedule of Prior Audit Findings



**Independent Auditor's Report on Financial Statements
and Supplementary Information**

**Board of Trustees
Storefront Academy Charter School
d/b/a Storefront Academy Charter School South Bronx**

Report on the Financial Statements

We have audited the accompanying financial statements of Storefront Academy Charter School d/b/a Storefront Academy Charter School South Bronx, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Storefront Academy Charter School d/b/a Storefront Academy Charter School South Bronx as of June 30, 2017, 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.

Emphasis of Matter Regarding Going Concern

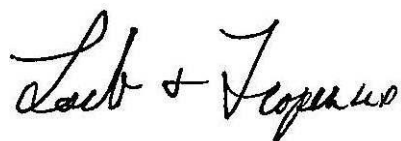
The accompanying financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 9 to the financial statements, the School has current liabilities that exceed the current assets that raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2018 on our consideration of Storefront Academy Charter School d/b/a Storefront Academy Charter School South Bronx's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Storefront Academy Charter School d/b/a Storefront Academy Charter School South Bronx'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 Storefront Academy Charter School d/b/a Storefront Academy Charter School South Bronx's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Loeb & Troper".

April 30, 2018

**STOREFRONT ACADEMY CHARTER SCHOOL
D/B/A STOREFRONT ACADEMY CHARTER
SCHOOL SOUTH BRONX**

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

ASSETS

Current assets	
Cash	\$ 47,766
Contributions and government grants receivable	125,694
Prepaid expenses and other assets	<u>100,437</u>
Total current assets	273,897
Cash escrow (Note 2)	50,017
Fixed assets - net (Note 3)	<u>238,912</u>
Total assets	<u><u>\$ 562,826</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 82,139
Accrued salaries and related liabilities	162,706
Due to New York State Department of Education	27,209
Due to management company (Note 4)	<u>79,079</u>
Total current liabilities - current	351,133
Net assets - unrestricted (Exhibit B)	<u>211,693</u>
Total liabilities and net assets	<u><u>\$ 562,826</u></u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

EXHIBIT B**STOREFRONT ACADEMY CHARTER SCHOOL
D/B/A STOREFRONT ACADEMY CHARTER
SCHOOL SOUTH BRONX****STATEMENT OF ACTIVITIES****YEAR ENDED JUNE 30, 2017**

Operating revenues and other support	
Resident student enrollment	\$ 1,860,191
Students with disabilities	240,322
NYCDOE rental assistance revenue	<u>373,693</u>
Total state and local per-pupil operating revenues	2,474,206
Government grants and contracts - Federal	230,122
Government grants and contracts - State	99,042
Contributions	32,884
In-kind contributions (Note 2)	76,650
Interest	184
Other revenues	<u>3,388</u>
Total operating revenues and other support	<u>2,916,476</u>
Expenses (Schedule 1)	
Program services	
General education	1,747,377
Special education	<u>499,337</u>
Total program services	2,246,714
Supporting services	
Management and general	<u>768,178</u>
Total expenses	<u>3,014,892</u>
Change in unrestricted net assets (Exhibit C)	(98,416)
Net assets - unrestricted - beginning of year	<u>310,109</u>
Net assets - unrestricted - end of year	<u><u>\$ 211,693</u></u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**STOREFRONT ACADEMY CHARTER SCHOOL
D/B/A STOREFRONT ACADEMY CHARTER
SCHOOL SOUTH BRONX**

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

Cash flows from operating activities	
Change in net assets (Exhibit B)	\$ (98,416)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	41,142
Decrease (increase) in assets	
Contributions and government grants receivable	370,654
Prepaid expenses and other assets	(98,037)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	27,289
Accrued salaries and related liabilities	84,958
Due to New York State Department of Education	(4,063)
Due to management company	(95,660)
	<u>227,867</u>
Net cash provided by operating activities	
Cash flows from investing activities	
Fixed asset acquisitions	(165,509)
Deposits to cash escrow	(50,017)
	<u>(215,526)</u>
Net cash used by investing activities	
Net change in cash	12,341
Cash - beginning of year	<u>35,425</u>
Cash - end of year	<u><u>\$ 47,766</u></u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**STOREFRONT ACADEMY CHARTER SCHOOL
D/B/A STOREFRONT ACADEMY CHARTER
SCHOOL SOUTH BRONX**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - NATURE OF ORGANIZATION

Storefront Academy Charter School (the “School”) is an educational corporation that operates as a charter school in the Borough of Bronx, New York. On December 2, 2014, the Board of Regents and the Board of Trustees of the State University of New York, on behalf of the State Education Department (NYSED), granted the School a charter valid for a term of 5 years (expiring June 30, 2020) and renewable upon expiration. The School was granted a charter for grades K - 5.

The School has obtained a d/b/a effective September 22, 2015 under the name Storefront Academy Charter School South Bronx.

The School was organized to provide children of varied academic strengths quality educational opportunities, preparing them academically, socially and emotionally to become critical thinkers, high-achieving students and well-rounded individuals. Working in partnership with families and community members, Storefront Academy instills a powerful sense of self, and gives its students the tools to own the future and create meaningful adult lives. During fiscal year 2017, the School operated classes for 133 full-time equivalent general instruction students, of which 21 were special education students.

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The School is supported primarily by state and local per-pupil operating revenues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

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

Cash escrow - The School maintains cash in an escrow account, pursuant to its Charter Agreement, to payoff expenses in the event of dissolution of the School.

Government grants receivable - Accounts receivable from expense-based grants are recognized when earned. Interest is not accrued or recorded on outstanding receivables.

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**STOREFRONT ACADEMY CHARTER SCHOOL
D/B/A STOREFRONT ACADEMY CHARTER
SCHOOL SOUTH BRONX**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions receivable - Unconditional promises to give are recorded as receivables and revenues and are recognized when the promises are made at their net realizable value. Unconditional promises to give that are expected to be collected within one year are recorded at fair value (net of allowance for uncollectible contributions). Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates. Conditional promises to give are not included as support until the conditions are substantially met.

Allowance for doubtful accounts - The School determines whether an allowance for uncollectibles should be provided for contributions, and government grants receivable. Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of June 30, 2017, management has determined that no allowance was necessary.

Fixed assets - Fixed assets are recorded at cost. Items with a cost of \$1,000 or more and an estimated useful life of more than one year are capitalized. For purchases with federal award the capitalization cost is \$5,000 per unit or more and useful life greater than one year. Depreciation is provided on the straight-line basis over the estimated useful lives of assets.

Due to New York State Department of Education - Represents monies owed to New York State Department of Education when payments received exceed the per-pupil revenue.

Operating leases - Operating lease payments are charged to rental expense. Operating lease expense has been recorded on the straight-line basis over the life of the lease. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

Unrestricted net assets - Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors.

State and local per-pupil operating revenues - Revenues from the state and local governments resulting from the School's charter status and based on the number of students enrolled are recorded when services are performed in accordance with the charter agreement. These grants are recorded as revenue by the School when services are rendered.

Government grants - Revenues from government grants are recorded when related expenditures are incurred by the School. Receivables are recorded when revenues are earned.

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**STOREFRONT ACADEMY CHARTER SCHOOL
D/B/A STOREFRONT ACADEMY CHARTER
SCHOOL SOUTH BRONX**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donors. The gifts are reported as temporarily or permanently 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 as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In-kind contributions - In-kind contributions are recorded at their estimated fair values and are reflected in the financial statements as revenue and an equal amount of expense. In 2017, the School received \$76,650 of donated legal fees.

Functional allocation of expenses - The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Uncertainty in income taxes - The School has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2014 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through April 30, 2018, which is the date the financial statements were available to be issued.

NOTE 3 - FIXED ASSETS

		<u>Estimated Useful lives</u>
Leasehold improvement	\$ 105,311	Not in service
Furniture and fixtures	130,904	5 - 7 years
Equipment	41,497	5 years
Computers	<u>31,998</u>	3 years
	309,710	
Accumulated depreciation	<u>(70,798)</u>	
	<u>\$ 238,912</u>	

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**STOREFRONT ACADEMY CHARTER SCHOOL
D/B/A STOREFRONT ACADEMY CHARTER
SCHOOL SOUTH BRONX**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 4 - ACADEMIC AND SERVICES AGREEMENT

The School entered into an Academic and Business Service Agreement with Storefront Academy Harlem (SAH), an unrelated not-for-profit organization. The agreement provides academic, management and other administrative support services to the School. Pursuant to the terms of the agreement, the School shall pay SAH a service fee equivalent to 15% of the approved basic per-pupil operating revenues for the current year. In addition to the service fee, the School will reimburse SAH for a portion of the salaries and associated benefits of SAH personnel utilized by the School. In June of 2017, SAH agreed to waive the remainder of the service fee that was not yet paid to SAH and as a result, the total charged to the School for the year ended June 30, 2017 was \$90,863 for academic, management and other administrative support services, and \$7,049 for shared personnel. In addition, SAH paid for certain operating expenses on behalf of the School.

In May 2016, the School began leasing space located on 138th Street in Bronx, NY, from SAH under a one-year operating lease. The lease commenced on July 1, 2016 and terminates on June 30, 2017. Rent expense for the year ended June 30, 2017 was \$429,210.

The amount due to SAH at June 30, 2017 was \$79,079.

NOTE 5 - RETIREMENT PLAN

The School participates in the Storefront Academy Harlem 403(b) Thrift Plan, administered by SAH. Discretionary contributions are determined by the Board of Trustees. The School did not make a discretionary contribution to the plan for the year ended June 30, 2017.

NOTE 6 - CONTINGENCIES

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

Litigation

The School is party to litigation for which the ultimate outcome cannot be determined at this time. Accordingly, no loss provision has been provided for in these financial statements.

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**STOREFRONT ACADEMY CHARTER SCHOOL
D/B/A STOREFRONT ACADEMY CHARTER
SCHOOL SOUTH BRONX**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 7 - CONCENTRATIONS

The School obtained approximately 87% of its operating revenues through its charter from New York State for the year ended June 30, 2017.

NOTE 8 - OPERATING LEASE

In August 2017, the School began leasing space located at 149th Street in Bronx, NY, under a three year operating lease set to expire on July 31, 2020. Base rent of \$36,000 was to be due monthly beginning in August 2017, and increasing by 3% annually. In September 2017, the building was condemned and the School is in negotiations with the landlord for return of their security deposit, furniture and any amounts they claim to be due.

On September 13, 2017, the School entered into a two month operating lease, at \$20,000 a month, for space and furniture located at Willis Avenue in Bronx, NY. The lease was set to expire on October 31, 2017 and was extended through December 31, 2017 at \$25,000 a month. Beginning January 1, 2018, the School agreed to extend the lease on a month-to-month basis until their space located on Jackson Avenue, as described below, was ready.

In March 2018, the School began leasing space located at Jackson Avenue from SAH. The lease is set to expire June 30, 2028. Minimum amounts to be paid under the terms of the lease are as follows:

2018	\$ 132,125
2019	580,000
2020	594,500
2021	615,308
2022	630,690
Thereafter	<u>3,397,992</u>
Total	<u>\$ 5,950,615</u>

NOTE 9 - FINANCIAL CONDITION AND MANAGEMENT'S PLAN

The School suffered a loss for the year ended June 30, 2017 of \$98,416. In addition, due to delays in relocating to its long-term facility in fiscal 2018, the School suffered with enrollment declines and is projecting a deficit of approximately \$900,000. To alleviate the cash flow issues, the School has obtained an unsecured, interest-free loan from SAH of \$925,000 that will mature on June 30, 2019. The School has moved into its long-term facility and is projecting an increased enrollment for fiscal 2019 which should allow the School to meet its financial obligations. Management has determined that the plan put into place in 2018 will improve the School's liquidity and long-term sustainability and maintain the School as a going concern.

**STOREFRONT ACADEMY CHARTER SCHOOL
D/B/A STOREFRONT ACADEMY CHARTER
SCHOOL SOUTH BRONX**

SCHEDULE 1

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	<u>No. of Positions</u>	<u>Program Services</u>			<u>Supporting Services</u>	<u>Total</u>
		<u>General Education</u>	<u>Special Education</u>	<u>Total</u>	<u>Management and General</u>	
Personnel service costs						
Administrative personnel	7	\$ 209,254	\$ 18,886	\$ 228,140	\$ 239,162	\$ 467,302
Instructional personnel	18	718,301	261,616	979,917		979,917
Non-instructional personnel	2				92,997	92,997
Total salaries and staff	<u>27</u>	<u>927,555</u>	<u>280,502</u>	<u>1,208,057</u>	<u>332,159</u>	<u>1,540,216</u>
Payroll taxes and employee benefits		220,365	66,641	287,006	78,913	365,919
Legal fees					79,120	79,120
Audit fees					20,800	20,800
Professional fees		29,614	42,572	72,186	101,806	173,992
Repairs and maintenance		12,149	2,941	15,090	1,060	16,150
Curriculum and classroom		48,873	9,268	58,141		58,141
Student services		12,484	2,368	14,852		14,852
Food service		617	117	734		734
Staff development		5,022	1,216	6,238	438	6,676
Academic and services agreement		24,478		24,478	73,435	97,913
Equipment and furnishings		9,622	2,330	11,952	840	12,792
Office expense		24,795	6,003	30,798	40,686	71,484
Building, land rent and lease		342,750	64,999	407,749	21,461	429,210
Utilities		17,654	3,348	21,002	1,105	22,107
Information technology		20,187	4,888	25,075	1,762	26,837
Marketing and recruiting		11,517	2,533	14,050	581	14,631
Insurance		2,885	699	3,584	10,798	14,382
Other expenses		5,862	1,419	7,281	513	7,794
Depreciation		30,948	7,493	38,441	2,701	41,142
Total expenses		<u>\$ 1,747,377</u>	<u>\$ 499,337</u>	<u>\$ 2,246,714</u>	<u>\$ 768,178</u>	<u>\$ 3,014,892</u>

See independent auditor's report.



**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**

Independent Auditor's Report

**Board of Trustees
Storefront Academy Charter School
d/b/a Storefront Academy Charter School South Bronx**

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 Storefront Academy Charter School d/b/a Storefront Academy Charter School South Bronx, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Storefront Academy Charter School d/b/a Storefront Academy Charter School South Bronx'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 Storefront Academy Charter School d/b/a Storefront Academy Charter School South Bronx's internal control. Accordingly, we do not express an opinion on the effectiveness of Storefront Academy Charter School d/b/a Storefront Academy Charter School South Bronx'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.

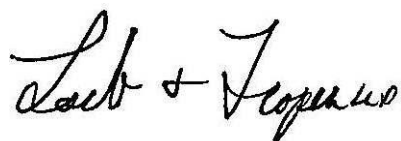
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of This Report

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



April 30, 2018

**STOREFRONT ACADEMY CHARTER SCHOOL
D/B/A STOREFRONT ACADEMY CHARTER
SCHOOL SOUTH BRONX**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2017

Financial Statement Findings

2016-001 Charter Escrow Account

Criteria

The School is required to maintain an escrow account in the amount of at least \$75,000 (\$25,000 a year for the first three years of operations) to pay for legal and audit expenses that would be associated with a dissolution should it occur.

Condition/Context

At June 30, 2016, and as of the date of this report, the School has not established a separate escrow account.

Effect

The School was not in compliance with a requirement of the New York State Education Department.

Cause

The School was unaware that a separate account was required.

Follow-up

In 2017, an escrow account was established and funded.

**STOREFRONT ACADEMY CHARTER SCHOOL
D/B/A STOREFRONT ACADEMY CHARTER
SCHOOL SOUTH BRONX**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2017

Financial Statement Findings (continued)

2016-002 Fiscal Oversight

Criteria

Account analysis is a required internal control to determine if the School's general ledger is accurate.

Condition/Context

For the fiscal year ended June 30, 2016, Account analysis was not performed on a regular basis.

Effect

Significant adjustments to the unaudited trial balance were required which delayed the audit process.

Cause

Account analysis was not performed on a regular basis.

Follow-up

In 2017, account analysis was performed on a regular basis.