

**THE BRONX CHARTER SCHOOL FOR CHILDREN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)**

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LEDERER, LEVINE & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

KENNETH J. LEDERER, CPA
STEVEN J. LEVINE, CPA
DEREK A. FLANAGAN, CPA

1099 WALL STREET WEST - SUITE 280
LYNDHURST, NEW JERSEY 07071
(201) 933-3780
(201) 933-3575 FAX

149 MADISON AVENUE - 11th FLOOR
NEW YORK, NEW YORK 10016
(800) 269-3457 (NYC)

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Bronx Charter School for Children

We have audited the accompanying financial statements of The Bronx Charter School for Children (the "School") which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Bronx Charter School for Children 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.

Report on Summarized Comparative Information

We have previously audited The Bronx Charter School for Children's 2016 financial statements, and our report dated October 25, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2017, on our consideration of The Bronx Charter School for Children's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Bronx Charter School for Children's internal control over financial reporting and compliance.

Lederer, Levine & Associates, LLC

Lederer, Levine & Associates, LLC

Lyndhurst, NJ
October 17, 2017

**THE BRONX CHARTER SCHOOL FOR CHILDREN
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)**

	2017	2016
ASSETS		
Cash and cash equivalents (Notes B and F)	\$ 4,778,736	\$ 4,762,332
Certificate of deposit (Note B)	225,013	199,227
Contributions receivable (Note C)	20,000	30,000
Government grants and per pupil receivables (Note B)	36,113	65,751
Prepaid expenses and other	312,842	327,012
Property and equipment, net (Notes B and E)	181,881	185,393
Restricted deposit (Note D)	75,030	27,599
TOTAL ASSETS	\$ 5,629,615	\$ 5,597,314
 LIABILITIES		
Accrued expenses and other payables	\$ 716,133	\$ 700,549
Deferred revenue	8,907	
Deferred rent payable (Note H)	82,116	159,723
TOTAL LIABILITIES	807,156	860,272
COMMITMENTS AND CONTINGENCIES (Note H)		
NET ASSETS		
Unrestricted (Note J)	4,752,459	4,707,042
Temporarily restricted (Note J)	70,000	30,000
TOTAL NET ASSETS	4,822,459	4,737,042
TOTAL LIABILITIES AND NET ASSETS	\$ 5,629,615	\$ 5,597,314

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

THE BRONX CHARTER SCHOOL FOR CHILDREN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE:				
Revenue - student enrollment	\$ 6,105,144	\$	\$ 6,105,144	\$ 5,842,217
Revenue - students with disabilities	638,011		638,011	624,296
Government grants	298,077		298,077	331,003
Contributions	97,419	50,000	147,419	104,314
Special events, (net of related expenses of \$13,062)	11,373		11,373	
In kind contributions (Note I)	379,378		379,378	395,649
Interest and other income	12,040		12,040	17,778
Net assets released from restrictions	10,000	(10,000)		
TOTAL SUPPORT AND REVENUE	7,551,442	40,000	7,591,442	7,315,257
EXPENSES:				
Program services	6,782,752		6,782,752	6,324,551
Management and general	640,489		640,489	737,596
Fundraising and development	82,784		82,784	78,388
TOTAL EXPENSES	7,506,025		7,506,025	7,140,535
Change in net assets	45,417	40,000	85,417	174,722
Net Assets - Beginning of Year	4,707,042	30,000	4,737,042	4,562,320
NET ASSETS - END OF YEAR	\$ 4,752,459	\$ 70,000	\$ 4,822,459	\$ 4,737,042

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

**THE BRONX CHARTER SCHOOL FOR CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)**

	No. of Positions	2017					2016	
		Program Services			Supporting Services		Total	Total
		Regular Education	Special Education	Total Program	Fundraising and Development	Management and General		
Personnel costs								
Administrative personnel	13	\$ 536,126	\$ 52,792	\$ 588,918	\$ 55,403	\$ 413,498	\$ 1,057,819	\$ 928,983
Instructional personnel	45	2,530,223	516,930	3,047,153			3,047,153	2,741,689
	58							
Total Personnel		3,066,349	569,722	3,636,071	55,403	413,498	4,104,972	3,670,672
Payroll taxes and employee benefits (Note G)		632,207	117,463	749,670	11,423	85,253	846,346	752,811
Retirement / pension		34,834	6,472	41,306	629	4,697	46,632	42,094
Legal						17,129	17,129	18,135
Accounting / audit						17,000	17,000	15,500
Other purchased / professional / consulting		188,890	16,734	205,624	9,887	13,054	228,565	293,391
Building and land rent /lease (Note H)		935,803	86,249	1,022,052	748	45,956	1,068,756	1,066,341
Repairs and maintenance		124,960	11,517	136,477	100	6,137	142,714	147,704
Insurance		46,318	8,606	54,924	837	6,246	62,007	60,590
Utilities		80,500	7,420	87,920	64	3,953	91,937	90,487
Supplies and materials		173,333	15,072	188,405			188,405	189,667
Equipment / furniture		16,850	3,131	19,981	304	2,272	22,557	41,175
Staff development		23,226	4,315	27,541	420	3,133	31,094	77,475
Marketing and recruiting expenses		1,761	327	2,088	32	237	2,357	34,078
Technology		37,517	6,970	44,487	678	5,060	50,225	71,493
Food services / school lunch (Note I)		356,042	30,960	387,002			387,002	361,529
Student services		28,437	2,473	30,910			30,910	50,987
Office expense		71,691	13,320	85,011	1,295	9,667	95,973	110,581
Depreciation and amortization		53,367	9,916	63,283	964	7,197	71,444	45,825
Total Expenses		<u>\$ 5,872,085</u>	<u>\$ 910,667</u>	<u>\$ 6,782,752</u>	<u>\$ 82,784</u>	<u>\$ 640,489</u>	<u>\$ 7,506,025</u>	<u>\$ 7,140,535</u>

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

**THE BRONX CHARTER SCHOOL FOR CHILDREN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 85,417	\$ 174,722
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	71,444	45,825
Changes in operating assets and liabilities:		
Decrease (Increase) in assets:		
Contributions receivable	10,000	10,000
Government grants and per pupil receivables	29,638	(27,037)
Prepaid expenses and other	14,170	(14,689)
Increase (Decrease) in liabilities:		
Accrued expenses and other payables	15,584	(103,192)
Deferred revenue	8,907	
Deferred rent payable	<u>(77,607)</u>	<u>(94,459)</u>
Net Cash Provided (Used) by Operating Activities	<u>157,553</u>	<u>(8,830)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in certificate of deposit	(25,786)	486
Increase in restricted deposit	(47,431)	(14)
Property and equipment acquisitions	<u>(67,932)</u>	<u>(104,787)</u>
Net Cash Used by Investing Activities	<u>(141,149)</u>	<u>(104,315)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,404	(113,145)
Cash and cash equivalents - beginning of year	<u>4,762,332</u>	<u>4,875,477</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,778,736</u>	<u>\$ 4,762,332</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>

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

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note A – Organization and Nature of Activities

The Bronx Charter School for Children (the “School”) operates under a charter (the “Charter”) granted by the Board of Regents of the State of New York (the “Regents”) under the New York Charter Schools Act of 1998. Pursuant to the terms of its most recent renewal, the Charter is scheduled to expire in June, 2019. The School is an education corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School is located in the Bronx, New York. The School is primarily funded by revenue received under its Charter.

The Mission of The Bronx Charter School for Children is to empower our children to achieve their greatest potential both as students and as members of their communities.

In September 2004, the School was opened to serve 132 students in grades K through 1. The School currently serves 432 students in grades K through 5. For the year ended June 30, 2017, the School’s total FTE student count was approximately 429, which included approximately 46 FTE students that received special education services.

Note B – Summary of Significant Accounting Policies

Basis of Accounting

The School follows accounting principles generally accepted in the United States of America (“U.S. GAAP”) which include certain specialized requirements set forth in publications of the Financial Accounting Standards Board.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 17, 2017.

Accounting for Uncertainty in Income Taxes

The School’s accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

Cash and Cash Equivalents

The School considers all highly liquid investments with an original maturity of three months or less to be cash equivalents, except for the restricted deposit account established in accordance with the Charter (see Note D).

Contributions

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Unconditional promises to give that are expected to be collected in future years have not been discounted to present value as the discount amount is not material to these financial statements. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions Receivable

Contributions receivable due in one year are recorded at their net realizable value. Contributions receivable due in more than one year are recorded at the present value of their net realizable value, using risk free interest rates to discount the amounts applicable to the years in which the contributions are received, unless such discount is deemed to be immaterial.

Government Grants and Per Pupil Revenue Receivable

The School considers all government grants and contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. Such estimate is based on management’s estimates of the creditworthiness of its customers, donors, current economic conditions and historical information.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

Note B – Summary of Significant Accounting Policies (continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

U. S. GAAP has established a fair value hierarchy organized into three levels based upon the “input” assumptions used in pricing assets. Level 1 inputs relate to assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices that are observable either directly or indirectly with fair value being determined through the use of models or other valuation methodologies. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Property and Equipment

Property and equipment are stated at cost (or approximate fair value if donated), less accumulated depreciation and amortization. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives. The School capitalizes property and equipment with a useful life of two years or more and a cost or fair value of \$1,000 or more.

Revenue recognition

The School is reimbursed on a per-pupil basis, calculated on its full time equivalent (“FTE”) student enrollment for the year. The School receives periodic advances of funding from New York State based on its projected enrollment. Amounts received in excess of actual enrollment are recorded as deferred revenue.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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 School’s financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Note C – Contributions Receivable

Contributions receivable were due as follows at June 30:

	<u>2017</u>	<u>2016</u>
Within one year:	\$ 10,000	\$ 10,000
From one to five years:	<u>10,000</u>	<u>20,000</u>
	<u>\$ 20,000</u>	<u>\$ 30,000</u>

Note D – Restricted Deposit

Pursuant to its most recent Charter renewal, the School is required to maintain a separate escrow account of not less than \$75,000 to pay for certain administrative expenses in the event that the School undergoes a dissolution.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

Note E – Property and Equipment

Property and equipment consist of the following at June 30:

	<u>Estimated Useful Life</u>	<u>2017</u>	<u>2016</u>
Leasehold improvements	5-10 years	\$ 396,934	\$ 393,429
Computer software and equipment	3 years	389,167	324,740
Furniture and equipment	3-5 years	<u>122,508</u>	<u>122,508</u>
		908,609	840,677
Less: accumulated depreciation and amortization		<u>(726,728)</u>	<u>(655,284)</u>
		<u>\$ 181,881</u>	<u>\$ 185,393</u>

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 amounted to \$71,444 and \$45,825, respectively.

Note F – Concentrations

The School maintains several bank accounts at banks which are institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor at June 30, 2017 and June 30, 2016, the total uninsured cash balance approximated \$4,301,000 and \$4,233,000, respectively. Management believes that credit risk related to these accounts is minimal.

Note G – Retirement Plan

The School maintains a 401k defined contribution retirement plan (the "Plan") covering all employees. Contributions to the Plan are made at the discretion of the School. Contributions made by the School under this plan vest evenly over a three year period. Retirement plan expense amounted to approximately \$46,632 and \$42,093 for the years ended June 30, 2017 and June 30, 2016, respectively. Contributions made by the Plan participants vest immediately.

Note H – Commitments and Contingencies

1. The School leases a building to house the School. The lease expires July 2018 and includes one 5 year renewal option. The annual rent is subject to annual cost of living adjustment escalators up to 3% over the prior year's rent. In addition, the School has entered into various equipment lease agreements.

Approximate future minimum annual rental commitments under noncancelable lease obligations are as follows:

	<u>Office Rent</u>	<u>Equipment Rent</u>	<u>Totals</u>
For the years ended June 30, 2018	\$ 1,159,266	\$ 24,163	\$ 1,183,429
2019	<u>96,841</u>	<u>10,068</u>	<u>106,909</u>
	<u>\$ 1,256,107</u>	<u>\$ 34,231</u>	<u>\$ 1,290,338</u>

The School records rent expense on the straight line basis as required under accounting principles generally accepted in the United States of America. Rent expense amounted to approximately \$1,050,000 for the year ended June 30, 2017.

2. A substantial amount of the School's revenues are from government sources. Revenue and related expenses are subject to audit verification by the funding agencies. Accordingly, any amounts which are determined to be excessive or non-program related would require repayment to such agency. In the opinion of management, any actual disallowance would be immaterial.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
(Continued)

Note I – In Kind Contributions

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the years ending June 30, 2017 and June 30, 2016, respectively, the School received approximately \$379,000 and \$352,000 of donated food and related services (provided by the New York City Department of Education (“NYCDOE”), which is included as revenue and expenses in the accompanying financial statements.

The following services are not included as in kind contributions: the NYCDOE provides bus service and certain special education services to the School at no charge. The New York City Department of Health also provides a nurse to the School at no charge.

Note J – Net Assets

Unrestricted Net Assets

The School has established an operating reserve, which is set at an estimate of three months of general operating expenses. All unrestricted net assets in excess of the operating reserve are designated by the Board for extended programs to enhance academic achievement, capital purchases, facilities procurement and other projects.

At June 30, 2017 and 2016, unrestricted net assets consisted of the following:

	2017	2016
Available for operations	\$ 1,961,658	\$ 1,904,479
Board designated	<u>2,790,801</u>	<u>2,802,563</u>
	<u>\$ 4,752,459</u>	<u>\$ 4,707,042</u>

Temporarily restricted net assets at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Technology Program (a)	\$ 20,000	\$ 30,000
Counseling services	<u>50,000</u>	<u>30,000</u>
	<u>\$ 70,000</u>	<u>\$ 30,000</u>

(a) Includes \$10,000 and \$20,000 which is also subject to time restrictions as of June 30, 2017 and 2016, respectively.

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1099 WALL STREET WEST - SUITE 280
LYNDHURST, NEW JERSEY 07071
(201) 933-3780
(201) 933-3575 FAX

149 MADISON AVENUE - 11th FLOOR
NEW YORK, NEW YORK 10016
(800) 269-3457 (NYC)

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

The Board of Trustees
The Bronx Charter School for Children

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 The Bronx Charter School for Children (the "School") which comprise the statement of financial position as of June 30, 2017 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 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Bronx Charter School for Children'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 The Bronx Charter School for Children'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 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 The Bronx Charter School for Children's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Lederer, Levine & Associates, LLC

Lyndhurst, NJ
October 17, 2017