

**BRONX CHARTER SCHOOL FOR BETTER LEARNING**

**REPORT TO THE FINANCE COMMITTEE**

**JUNE 30, 2011**



# MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 20, 2011

The Finance Committee  
Bronx Charter School for Better Learning

We have audited the financial statements of Bronx Charter School for Better Learning (the "Charter School") for the year ended June 30, 2011, and have issued our report thereon dated October 20, 2011. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Governmental Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 20, 2011. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Audit Findings**

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Bronx Charter School for Better Learning are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2011. We noted no transactions entered into by the Charter School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the collectability of grants receivable, as well as the allocation of costs for the statement of functional expenses. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 20, 2011.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Charter School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Internal Control Matters**

We have communicated, in writing, to management and to the Board of Trustees that we are not aware of any material weaknesses in connection with our audit of the financial statements.

**Independence**

We are not aware of any circumstances or relationships that would impair our independence.

\* \* \* \* \*

Should you desire further information concerning these matters, Michelle Cain or Jackie Lee will be happy to meet with you at your convenience.

This letter is intended solely for the use of the Finance Committee, the Board of Trustees and management of Bronx Charter School for Better Learning and should not be distributed to any other persons or used for any other purpose.

Very truly yours,

*Mengel, Metzger, Barr & Co. LLP*

MENGEL, METZGER, BARR & CO. LLP

**BRONX CHARTER SCHOOL FOR BETTER LEARNING**

**BRONX, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**REPORT REQUIRED BY**  
**GOVERNMENT AUDITING STANDARDS**

**AND**

**INDEPENDENT AUDITORS' REPORTS**

**JUNE 30, 2011**

**(With Comparative Totals for 2010)**

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# MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Bronx Charter School for Better Learning

We have audited the accompanying statement of financial position of Bronx Charter School for Better Learning (the "Charter School") as of June 30, 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of Bronx Charter School for Better Learning as of and for the year ended June 30, 2010 which were audited by other auditors whose report dated September 24, 2010 expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bronx Charter School for Better Learning as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2011 on our consideration of Bronx Charter School for Better Learning's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mengel, Metzger, Barw & Co. LLP*

Rochester, New York  
October 20, 2011



BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

(With Comparative Totals for 2010)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 730,387	\$ 578,043
Certificates of deposit	1,146,363	992,694
Grants and other receivables	142,401	112,424
Prepaid expenses and other current assets	<u>13,983</u>	<u>22,062</u>
TOTAL CURRENT ASSETS	2,033,134	1,705,223
<u>PROPERTY AND EQUIPMENT, net</u>	241,628	228,540
<u>OTHER ASSET - restricted cash</u>	<u>27,260</u>	<u>27,220</u>
TOTAL ASSETS	<u>\$ 2,302,022</u>	<u>\$ 1,960,983</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	<u>\$ 81,117</u>	<u>\$ 118,254</u>
TOTAL CURRENT LIABILITIES	81,117	118,254
 <u>NET ASSETS</u>		
Unrestricted	2,210,606	1,789,018
Temporarily restricted	<u>10,299</u>	<u>53,711</u>
TOTAL NET ASSETS	<u>2,220,905</u>	<u>1,842,729</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,302,022</u>	<u>\$ 1,960,983</u>

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2011  
(With Comparative Totals for 2010)

	Year ended June 30,			2010
	2011		Total	
	Unrestricted	Temporarily restricted		
Operating revenue and support:				
State and local per pupil				
operating revenue	\$ 5,331,319	\$ -	\$ 5,331,319	\$ 4,399,330
Governmental grants	399,288	-	399,288	342,350
Contributions	69,018	8,900	77,918	92,032
Interest income	8,514	-	8,514	9,223
Special events	52,521	-	52,521	37,786
Net assets released from restrictions	<u>52,312</u>	<u>(52,312)</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUE AND SUPPORT	5,912,972	(43,412)	5,869,560	4,880,721
Expenses:				
Program:				
Regular education	4,269,051	-	4,269,051	3,753,910
Special education	439,644	-	439,644	-
Management and general	541,452	-	541,452	660,990
Fundraising and special events	<u>241,237</u>	<u>-</u>	<u>241,237</u>	<u>247,323</u>
TOTAL EXPENSES	<u>5,491,384</u>	<u>-</u>	<u>5,491,384</u>	<u>4,662,223</u>
CHANGE IN NET ASSETS	421,588	(43,412)	378,176	218,498
Net assets at beginning of year	<u>1,789,018</u>	<u>53,711</u>	<u>1,842,729</u>	<u>1,624,231</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,210,606</u>	<u>\$ 10,299</u>	<u>\$ 2,220,905</u>	<u>\$ 1,842,729</u>

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011  
(With Comparative Totals for 2010)

	Year ended June 30,					
	2011			2010		
	Program Services		Supporting Services	Management and general		Fundraising and special events
Regular Education	Special Education	Sub-total	Management and general	Sub-total	Total	Total
<b>Personnel services costs</b>						
Administrative staff personnel	\$ -	\$ -	\$ -	\$ 129,965	\$ 223,090	\$ 281,543
Instructional personnel	2,819,707	290,785	3,110,492	29,294	44,859	3,155,351
Non-instructional personnel	180,341	18,598	198,939	49,735	77,365	276,304
	3,000,048	309,383	3,309,431	208,994	345,314	3,654,745
<b>Total personnel services costs</b>						
Payroll taxes and employee benefits	694,517	71,623	766,140	48,382	79,941	846,081
Accounting and auditing fees	-	-	-	22,488	22,488	22,488
Financial management services	-	-	-	68,846	68,846	68,846
Legal fees	-	-	-	3,520	3,520	3,520
Advertising and recruitment	19,394	2,000	21,394	2,004	2,133	23,527
Special event and scholarship fund expenses	5,880	-	5,880	499	20,495	26,874
Consulting services	23,826	2,457	26,283	-	31,600	57,883
Professional development	187,184	19,303	206,487	1,476	2,911	209,398
Insurance	33,580	3,463	37,043	11,338	16,441	53,484
Postage and shipping	1,315	136	1,451	2,624	2,784	4,235
Student meals	3,304	341	3,645	-	-	3,645
Telephone and internet services	11,829	1,220	13,049	3,264	4,613	17,662
Office supplies	41,955	4,327	46,282	7,182	11,743	58,025
Dues and subscriptions	10,050	1,036	11,086	656	675	11,761
Equipment rental and maintenance	23,144	2,387	25,531	2,461	5,742	31,273
Occupancy and facility usage costs	11,573	1,193	12,766	3,161	3,855	16,621
Staff meals and team building	20,773	2,142	22,915	7,133	8,703	31,618
Staff travel	5,848	603	6,451	2,333	3,450	9,901
Instructional materials	129,714	13,377	143,091	128	235	143,326
Student trips and other costs	29,547	3,047	32,594	164	290	32,884
Technology supplies and equipment	15,546	1,603	17,149	24,114	25,626	42,775
Depreciation	-	-	-	116,315	116,315	116,315
Miscellaneous	24	3	27	4,470	4,470	4,497
	\$ 4,269,051	\$ 439,644	\$ 4,708,695	\$ 541,452	\$ 782,689	\$ 5,491,384
						\$ 295
						\$ 4,662,223

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011  
(With Comparative Totals for 2010)

	<u>Year ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 378,176	\$ 218,498
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	116,315	97,337
Changes in certain assets and liabilities affecting operations:		
Restricted cash	(40)	(58)
Grants and other receivables	(29,977)	(51,619)
Prepaid expenses and other current assets	8,079	(8,601)
Accounts payable and accrued expenses	<u>(37,137)</u>	<u>(13,418)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	435,416	242,139
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(129,403)	(54,585)
Purchases of certificates of deposit	<u>(153,669)</u>	<u>(5,715)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(283,072)</u>	<u>(60,300)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	152,344	181,839
Cash and cash equivalents at beginning of year	<u>578,043</u>	<u>396,204</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 730,387</u>	<u>\$ 578,043</u>

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE A: THE SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Bronx Charter School for Better Learning (“the Charter School”) is an educational corporation that operates as a charter school in the borough of Bronx, New York. On March 25, 2003, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. On May 20, 2008, the Charter School obtained a renewal through July 30, 2013. The Charter School was established to provide its students in grades K-5 with a solid foundation for academic success, through achievement that exceeds citywide averages and meets or exceeds New York State Standards and national norms in all curriculum areas tested, especially in mathematics and language arts.

Financial Statement presentation

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

These classes of net assets are defined as follows:

*Permanently restricted* – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2011 or 2010.

*Temporarily restricted* – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. There were \$10,299 and \$53,711 of temporarily restricted net assets at June 30, 2011 and 2010, respectively, restricted for a specific purpose, as described in Note J.

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

Revenue and support recognition

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

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

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

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

Cash and cash equivalents

The Charter School maintains its cash balances in certain financial institutions located in New York. The Charter School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and certain money market account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. In addition, certain non-interest bearing transaction accounts at the financial institutions are 100% insured through December 31, 2012. In the normal course of business, the interest bearing account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to any significant risk in cash and cash equivalents.

Certificates of deposit

Certificates of deposit represent certificates of deposit with maturities of nine months or less. In the normal course of business, the interest bearing account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in certificates of deposit.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2011 or 2010.

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to five years.

Tax exempt status

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

The Charter School has filed for and received income tax exemptions in the various jurisdictions where it is required to do so. The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. With few exceptions, as of June 30, 2011, the Charter School is no longer subject to U.S. federal income tax examinations by tax authorities for years ended before June 30, 2008. Years ended June 30, 2008 through June 30, 2011 are still subject to potential audit by the IRS. The Charter School adopted the provisions of FASB ASC 740-10 *Accounting for Uncertainty in Income Taxes* and its related amendment on July 1, 2009. Management of the Charter School believes they have no material uncertain tax positions and, accordingly, have not recognized any liability for unrecognized tax benefits.

Contributed services

The Charter School receives contributed services from volunteers to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

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

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$23,500 and \$4,400 for the years ended June 30, 2011 and 2010, respectively.

Use of estimates in the preparation of financial statements

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

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 20, 2011, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

Reclassifications

Certain 2010 amounts have been reclassified to conform with the 2011 presentation.

Comparatives for year ended June 30, 2010

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 Charter School's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

NOTE B: SCHOOL FACILITY

The Charter School has entered into a "Facility Shared Use Agreement" (the "Agreement") with the New York City Department of Education for dedicated and shared space at P.S. 111 Annex, a New York City Public School located at 3740 Baychester Avenue, Bronx, New York. The Agreement commenced on July 1, 2005 and terminated on June 30, 2010. Pursuant to the terms of the Agreement, the Charter School shall pay \$1 per annum for the use of the shared facility during regular opening hours. The Charter School shall be responsible for any overtime-related costs for services provided beyond regular opening hours. As of October 20, 2011, the renewal of this agreement was still under negotiation.

NOTE C: RESTRICTED CASH

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Furniture and fixtures	\$ 383,407	\$ 361,015
Computer equipment	<u>362,597</u>	<u>255,586</u>
	746,004	616,601
Less accumulated depreciation	<u>504,376</u>	<u>388,061</u>
	<u>\$ 241,628</u>	<u>\$ 228,540</u>

NOTE E: LINE OF CREDIT

During 2011, the Charter School obtained a \$250,000 line of credit with a bank which matures during November 2012. Interest is payable monthly at LIBOR plus 5.751%. There were no balances outstanding at June 30, 2011. The line is secured by substantially all assets of the Charter School.

NOTE F: OPERATING LEASE

The Charter School leases office equipment under a non-cancelable lease agreement expiring in September 2015. The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2012	\$ 13,728
2013	13,728
2014	13,728
2015	13,728
2016	<u>3,432</u>
	<u>\$ 58,344</u>

NOTE G: RETIREMENT PLAN

The Charter School sponsors a 403(b) retirement plan (the "Plan") for its employees. All employees of the Charter School are eligible to participate. Contributions made to the Plan are credited to each individual participant's account maintained under a group annuity contract issued by Metropolitan Life Insurance Company. The Charter School matches 100% of the employee's contributions up to \$2,400 per year. During the years ended June 30, 2011 and 2010, the Charter School contributed approximately \$99,000 and \$100,000, respectively, to the Plan.



BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

NOTE H: CONTINGENCY

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

NOTE I: CONCENTRATION

At June 30, 2011 and 2010, approximately 44% and 68%, respectively, of grants and other receivables are due from the New York State Department of Education relating to certain grants. Also at June 30, 2011 and 2010, approximately 46% and 25% of grants and other receivables are due from Mt. Vernon Department of Education.

During the years ended June 30, 2011 and 2010, 91% and 90%, respectively of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE J: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for specialized services or purposes designated by the donors. At June 30, 2011 and 2010, temporarily restricted net assets were available for the following:

	June 30,	
	2011	2010
Scholarship fund	\$ 10,299	\$ 13,158
Teacher training and development	-	35,703
Other purposes specified by donor	-	4,850
	<u>\$ 10,299</u>	<u>\$ 53,711</u>

**BRONX CHARTER SCHOOL FOR BETTER LEARNING**

**REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS**



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Bronx Charter School for Better Learning

We have audited the financial statements of Bronx Charter School for Better Learning (the "Charter School") as of and for the year ended June 30, 2011 and have issued our report thereon dated October 20, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Bronx Charter School for Better Learning's internal control over financial reporting as a basis for designing our auditing procedures 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 Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over financial reporting.

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 financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

*Compliance and Other Matters*

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

We noted certain matters that we reported to management of Bronx Charter School for Better Learning in a separate letter dated October 20, 2011.

This report is intended solely for the information and use of the Board of Trustees, management, federal, state and local awarding agencies, The Charter Schools Institute of the State University of New York, the State Education Department of the State University of New York, Mt. Vernon Department of Education and others within the Charter School and is not intended to be and should not be used by anyone other than these specified parties.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 20, 2011

**BRONX CHARTER SCHOOL FOR BETTER LEARNING**

**ADVISORY COMMENT LETTER**

**JUNE 30, 2011**



# MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 20, 2011

To the Board of Trustees  
Bronx Charter School for Better Learning

In planning and performing our audit of the financial statements of Bronx Charter School for Better Learning (the "Charter School") for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

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 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. 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

During the course of our audit of the financial statement of Bronx Charter School for Better Learning as of June 30, 2011 and for the year then ended, we observed the Charter School's significant accounting policies and procedures and certain business, financial and administrative practices. As a result of our observations, we suggest you consider the following comments which we do not consider to be significant deficiencies or material weaknesses:

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**Temporarily Restricted Net Assets**

We noted management tracks donations restricted for the scholarship program through establishing a separate cash account which any donations for or payments of scholarships are made from. Although this procedure does ensure restricted funds are spent as the donor intended, it is not a formal tracking system for net assets with temporary restrictions.

**Recommendation**

We recommend any contributions received with donor restrictions be recorded as such and the corresponding release of restrictions be tracked in a formal system. This will eliminate any question as to the balance of temporarily restricted net assets throughout the year.

**Fixed Assets**

During our audit we found there to be no detailed subsidiary ledgers which support the financial statement amounts reported for assets placed into service prior to July 1, 2010. Management utilized amounts summarized in past audit reports to support balances and then prepared depreciation estimates from available information. The level of documentation available would not allow for proper recognition of any future disposal activities.

**Recommendation**

In order to avoid disposal recognition errors in future periods, we recommend management continue to research asset balances dating back before July 1, 2010 to create a detailed sub-ledger that would support accurate recognition of future activity.

**Minutes**

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

**Recommendation**

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

**Information Technology Receipt of Goods**

During our audit, we noted instances where the Information Technology Department did not formally document the receipt of purchased items.

**Recommendation**

We recommend management ensure policies are in place to document the receipt of goods, including date received, to properly support payment of the invoice and recognition of expenditures.

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We believe that the implementation of these recommendations will improve the controls in place and efficiency of the Charter School's internal control.

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

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the Charter School's financial statements. Should you have any questions or comments, please contact Michelle Cain or Jackie Lee.

Very truly yours,

*Mengel, Metzger, Barr & Co. LLP*

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## **Audited Financial Corrective Action Plan**

### **Temporarily Restricted Net Assets**

We noted management tracks donations restricted for the scholarship program through establishing separate cash account which any donations for or payments of scholarships are made from. Although this procedure does ensure restricted funds are spent as the donor intended, it is not a formal tracking system for net assets with temporary restrictions.

### **Recommendation**

We recommend any contributions received with donor restrictions be recorded as such and the corresponding release of restrictions be tracked in a formal system. This will eliminate any question as to the balance of temporarily restricted net assets throughout the year.

### **Management Response**

Currently, the school tracks donor restricted funds using cost centers in FUND EZ. Any monies received from fundraising efforts are deposited in the Special Events/Fundraising bank account and specifically any monies received to fund the 5h grade Scholarship program is deposited in a separate Scholarship account.

Additionally, any funding dedicated to specific programs and/or salaries are tracked using an Excel spreadsheet in order to identify grant related expenses.

Moving forward and effective immediately, the school will track temporarily restricted funding using FUND codes in the accounting system in order to differentiate temporarily restricted funding from unrestricted funding.

### **Fixed Assets**

During our audit we found there to be no detailed subsidiary ledgers which support the financial statement amounts reported for assets placed into service prior to July 1, 2010. Management utilized amounts summarized in past audit reports to support balances and then prepared depreciation estimates from available information. The level of documentation available would not allow for proper recognition of any future disposal activities.

### **Recommendation**

In order to avoid disposal recognition errors in future periods, we recommend management continue to research asset balances dating back before July 1, 2010 to create a detailed sub-ledger that would support accurate recognition of future activity.

### **Management Response**

The formal tracking of fixed assets using software to record acquisition and disposition of fixed assets commenced in 2010. The school started acquiring fixed assets in 2004. Although tracking was not formal, there has been no disposition of assets.

Depreciation was corrected in fiscal 2011 based on schedules provided by audited financials dating back to 2004.

The School will continue to track acquisition of fixed assets in the current software, the accounting system and in excel in order to calculate depreciation. There will be a formal process to fully depreciate any item disposed of before its useful life and disposition of any item fully depreciated will be recorded in the fixed asset system with a disposition date.

## **Minutes**

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

### **Recommendation**

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

### **Management Response**

Effective immediately, the School will start keeping minutes for all board committee meetings.

## **Information Technology Receipt of Goods**

During our audit, we noted instances where the Information Technology Department did not formally document the receipt of purchased items.

### **Recommendation**

We recommend management ensure policies are in place to document the receipt of goods, including date received, to properly support payment of the invoice and recognition of expenditures.

### **Management Response**

Technology will ensure to initial and date all receipt of all purchases and match inventory to invoices before payment is made to vendor.