

**BRONX CHARTER SCHOOL FOR EXCELLENCE**

**BRONX, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**OTHER FINANCIAL INFORMATION**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2018**

**(With Comparative Totals for 2017)**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Bronx Charter School for Excellence

**Report on the Financial Statements**

We have audited the accompanying financial statements of Bronx Charter School for Excellence which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

**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 Bronx Charter School for Excellence as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Bronx Charter School for Excellence's June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018 on our consideration of Bronx Charter School for Excellence's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bronx Charter School for Excellence's internal control over financial reporting and compliance.

*Mengel, Metzger, Barw & Co. LLP*

Rochester, New York  
October 30, 2018

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(With Comparative Totals for 2017)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 6,312,887	\$ 4,058,737
Grants and contracts receivable	1,425,882	537,248
Prepaid expenses	207,048	74,434
Due from related party	282,337	452,070
TOTAL CURRENT ASSETS	<u>8,228,154</u>	<u>5,122,489</u>
<u>PROPERTY AND EQUIPMENT, net</u>	32,845,287	33,122,435
<u>OTHER ASSETS</u>		
Cash in escrow	150,000	100,000
Security deposits	9,185	9,185
Investments - restricted	2,981,991	2,572,520
	<u>3,141,176</u>	<u>2,681,705</u>
TOTAL ASSETS	<u>\$ 44,214,617</u>	<u>\$ 40,926,629</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current portion of bonds payable	\$ 485,000	\$ 470,000
Accounts payable	481,876	275,192
Accrued expenses	406,422	394,221
Accrued payroll and benefits	782,444	487,364
Accrued construction retainage	86,147	86,147
Deferred revenue	39,753	4,061
Deferred lease incentive	2,427	6,587
Management fees due to charter management organization	567,568	1,834,484
TOTAL CURRENT LIABILITIES	<u>2,851,637</u>	<u>3,558,056</u>
<u>OTHER LIABILITIES</u>		
Bonds payable, net of unamortized bond issuance costs of \$1,080,955 and \$1,181,519, respectively.	23,027,596	23,505,301
Reserve for payment of debt service	1,540,000	1,540,000
Deferred lease liability	552,578	145,869
TOTAL OTHER LIABILITIES	<u>25,120,174</u>	<u>25,191,170</u>
<u>NET ASSETS, unrestricted</u>	<u>16,242,806</u>	<u>12,177,403</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 44,214,617</u>	<u>\$ 40,926,629</u>

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals for 2017)

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Revenue, gains and other support:		
Public school district		
Resident student enrollment	\$ 16,796,018	\$ 13,373,465
Students with disabilities	838,744	1,013,401
Grants and contracts:		
State and local	327,787	262,412
Federal - Title and IDEA	720,124	468,772
Federal - other	573,129	159,571
Food Service/Child Nutrition Program	473,517	-
NYC DOE Rental Assistance	1,150,953	-
	<u>20,880,272</u>	<u>15,277,621</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT		
Expenses:		
Program:		
Regular education	13,806,892	8,366,370
Special education	2,079,189	1,366,235
	<u>15,886,081</u>	<u>9,732,605</u>
TOTAL PROGRAM SERVICES		
Management and general	994,369	1,368,518
Fundraising and special events	436	24,066
	<u>16,880,886</u>	<u>11,125,189</u>
TOTAL OPERATING EXPENSES		
SURPLUS FROM SCHOOL OPERATIONS	3,999,386	4,152,432
Support and other revenue:		
Contributions		
Foundations	-	10,000
Individuals	-	51
Corporations	198	-
Contributed services	11,307	110,716
Fundraising	30,250	41,889
Investment income	21,066	8,051
Miscellaneous income	3,196	97,811
	<u>66,017</u>	<u>268,518</u>
TOTAL SUPPORT AND OTHER REVENUE		
CHANGE IN NET ASSETS	4,065,403	4,420,950
Net assets at beginning of year	<u>12,177,403</u>	<u>7,756,453</u>
NET ASSETS AT END OF YEAR	<u>\$ 16,242,806</u>	<u>\$ 12,177,403</u>

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals for 2017)

	Year ended June 30,								
	2018						2017		
	No. of Positions	Program Services			Supporting Services			Total	Total
Regular Education		Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total			
Personnel Services Costs:									
Administrative staff personnel	13	\$ 340,155	\$ 66,547	\$ 406,702	\$ 215,007	\$ -	\$ 215,007	\$ 621,709	\$ 241,092
Instructional personnel	57	3,249,958	497,117	3,747,075	-	-	-	3,747,075	2,501,875
Non-instructional personnel	<u>5</u>	<u>846,182</u>	<u>147,652</u>	<u>993,834</u>	<u>89,413</u>	<u>-</u>	<u>89,413</u>	<u>1,083,247</u>	<u>675,179</u>
Total salaries and wages	75	4,436,295	711,316	5,147,611	304,420	-	304,420	5,452,031	3,418,146
Payroll taxes and employee benefits		1,177,182	194,924	1,372,106	71,238	-	71,238	1,443,344	960,456
Professional development		11,491	1,925	13,416	684	-	684	14,100	26,992
Legal fees		17,483	2,889	20,372	1,061	-	1,061	21,433	112,245
Audit/accounting fees		-	-	-	32,730	-	32,730	32,730	32,109
Professional services		1,253,495	185,866	1,439,361	61,268	-	61,268	1,500,629	1,162,577
Student and staff recruitment		18,453	3,009	21,462	1,057	-	1,057	22,519	9,540
Curriculum and classroom supplies		494,465	31,217	525,682	1,351	-	1,351	527,033	409,970
Office expenses		202,908	33,125	236,033	12,981	51	13,032	249,065	133,376
Food service		525,219	54,549	579,768	15	-	15	579,783	28
Student services		83,273	8,856	92,129	-	-	-	92,129	143,718
Insurance		98,617	16,376	114,993	5,943	-	5,943	120,936	110,986
Building and Land Rent / Lease		1,140,865	174,071	1,314,936	76,791	-	76,791	1,391,727	316,254
Utilities		230,689	38,033	268,722	14,047	-	14,047	282,769	210,705
Non-capitalized equipment and furnishings		105,960	7,358	113,318	6,240	385	6,625	119,943	8,541
Repairs and maintenance		363,484	59,679	423,163	22,262	-	22,262	445,425	233,454
Depreciation and amortization		812,420	101,552	913,972	101,552	-	101,552	1,015,524	862,947
Interest expense		999,241	150,927	1,150,168	53,278	-	53,278	1,203,446	1,063,897
Management fees		1,830,514	302,795	2,133,309	110,934	-	110,934	2,244,243	1,834,484
Replication expenses		-	-	-	-	-	-	-	13,610
Other		4,838	722	5,560	116,517	-	116,517	122,077	61,154
		<u>\$ 13,806,892</u>	<u>\$ 2,079,189</u>	<u>\$ 15,886,081</u>	<u>\$ 994,369</u>	<u>\$ 436</u>	<u>\$ 994,805</u>	<u>\$ 16,880,886</u>	<u>\$ 11,125,189</u>

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals for 2017)

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 4,065,403	\$ 4,420,950
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	1,015,524	862,947
Contributed property and equipment	-	(12,100)
Bond premium amortization	(93,269)	(90,338)
Amortization of bond issuance costs included in interest expense	100,564	93,773
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	(888,634)	(61,273)
Prepaid expense	(132,614)	22,902
Due from related party	169,733	88,588
Accounts payable	753	(254,628)
Accrued expenses	12,201	39,844
Accrued payroll and benefits	295,080	(511,812)
Accrued construction retainage	-	(373,967)
Deferred revenue	35,692	1,327
Deferred lease incentive	(4,160)	(4,160)
Management fees due to charter management organization	(1,266,916)	1,423,195
Deferred lease liability	406,709	145,869
	<u>3,716,066</u>	<u>5,791,117</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	3,716,066	5,791,117
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(532,445)	(1,612,118)
Increase in cash in escrow	(50,000)	(100,000)
Purchases of investments	(409,471)	(62,401)
	<u>(991,916)</u>	<u>(1,774,519)</u>
NET CASH USED FOR INVESTING ACTIVITIES	(991,916)	(1,774,519)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayments of bonds payable	(470,000)	(445,000)
	<u>(470,000)</u>	<u>(445,000)</u>
NET CASH USED FOR FINANCING ACTIVITIES	(470,000)	(445,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,254,150	3,571,598
Cash and cash equivalents at beginning of year	4,058,737	487,139
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,312,887</u>	<u>\$ 4,058,737</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2018  
(With Comparative Totals for 2017)

	<u>Year ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest, not including capitalized interest of \$156,351 in 2017	<u>\$ 1,106,857</u>	<u>\$ 975,687</u>
<u>NON-CASH OPERATING AND FINANCING ACTIVITIES</u>		
Contributed property and equipment	<u>\$ -</u>	<u>\$ 12,100</u>
Purchases of property and equipment included in accounts payable	<u>\$ 205,931</u>	<u>\$ 43,017</u>

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Bronx Charter School for Excellence (the “Charter School”) is an educational corporation operating as a charter school in the borough of the Bronx, New York. On April 29, 2003, the Board of Regents of the University of the State of New York granted Bronx Charter School for Excellence (“Bronx Excellence 1”) a provisional charter valid for a term of five years and renewable upon expiration. In March 2009 and January 2014, Bronx Excellence 1 was awarded a full-term, five-year charter renewal. Bronx Excellence 1 is currently in the process of renewing its charter which expires July 31, 2019. Bronx Excellence 1 was established to prepare young people from New York City to compete for admission to, and succeed in, top public, private and parochial schools by cultivating their intellectual, artistic, social, emotional and ethical development. Bronx Excellence 1 offers a challenging and rigorous academic curriculum which, at the earliest of grades, has an eye towards college preparation for grades first through eighth.

On November 2, 2015, the Board of Regents of the University of the State of New York amended the charter agreement permitting an additional school to be opened by the Charter School. During the 2016 fiscal year, the Charter School added Bronx Charter School for Excellence 2 (“Bronx Excellence 2”) under its expanded charter. Bronx Excellence 2 has the authority to operate through July 31, 2021. Bronx Excellence 2 was established to provide its students 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.

On March 24, 2017, the Board of Regents of the University of the State of New York amended the charter agreement permitting an additional 3 schools to be opened by the Charter School, Bronx Charter School for Excellence 3, 4, and 5. Bronx Excellence 4 and 5 have not yet opened. These three charter schools have authority to operate through July 31, 2022. These charter schools were established to provide its students 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.

The accompanying financial statements include the accounts of Bronx Excellence 1, Bronx Excellence 2 and Bronx Excellence 3 (collectively referred to as the “Charter School”). All intercompany balances and transactions have been eliminated in the accompanying financial statements.

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 (GAAP). 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.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

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

These classes of net assets are defined as follows:

*Permanently restricted* – Net assets resulting from contributions and other inflows of assets whose use by the 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, 2018 or 2017.

*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 no temporarily restricted net assets at June 30, 2018 or 2017.

*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 or requirements of the grant are met.

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

Contributions

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

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

Cash and cash equivalents

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

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

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow was \$150,000 and \$100,000 at June 30, 2018 and 2017, respectively.

Grants and contracts receivable

Grants and contracts 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, 2018 or 2017.

Property and equipment

Property and equipment are recorded at cost. The Charter School capitalizes all purchases of fixed assets in excess of \$5,000. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from 4 to 39 years. Prior to the bond issuance (Note G), leasehold improvements at Bronx Excellence 1 were amortized over the shorter of the estimated useful life of the asset or the remaining term of the related lease. These improvements are continuing to be amortized over the originally calculated life. All other leasehold improvements are being amortized over the shorter of the estimated useful life of the asset or the remaining term of the related lease.

Bond issuance costs

Bond issuance costs, which consist of deferred financing charges, are stated at cost and are amortized over the term of the bonds which vary from 5 to 30 years through various dates up to April 2043. The Charter School shows bond issuance costs as a deduction from the carrying amount of bonds payable, net on the accompanying statement of financial position.

Deferred lease incentive

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

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

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

Deferred lease liability

The Charter School leases two facilities. The leases contain pre-determined fixed escalation of the base rent. In accordance with GAAP, the Charter School recognizes the related rent expense on a straight-line basis over the lease term and records the difference between the recognized rental expense and the amounts payable under the leases as a deferred lease liability.

Investments - restricted

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

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

Tax exempt status

The Charter School 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 files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2015 through June 30, 2018 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Contributed services

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

The Charter School received contributed legal services which were valued at \$11,307 and \$98,616 for the years ended June 30, 2018 and 2017, respectively. The Charter School received contributed property and equipment which was valued at \$12,100 for the year ended June 30, 2017. No contributed property was received for the year ended June 30, 2018. These amounts are included in contributed services in the accompanying statement of activities and changes in net assets.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution.

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$22,500 and \$9,500 for the years ended June 30, 2018 and 2017, respectively.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

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

Comparatives for year ended June 30, 2017

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified to conform with the present year presentation.

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 30, 2018, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, except as disclosed in Note K and Note L.

NOTE B: RELATED PARTY TRANSACTIONS

Excellence Community Schools, Inc. ("Excellence"), a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Charter School. The Charter School entered into an educational services agreement with Excellence effective July 1, 2016 through June 30, 2021 whereby Excellence will provide the Charter School with services related to education and instruction, business operations, human resources and employment. In turn, Excellence shall be paid a fee equal to 13% of all public revenues received by the Charter School during the fiscal year. The Charter School incurred fees of approximately \$2,244,000 and \$1,834,000 for the years ended June 30, 2018 and 2017, respectively.

At June 30, 2017, all fees incurred were accrued in management fees due to charter management organization on the accompanying statement of financial position.

At June 30, 2018, approximately \$568,000 of fees were accrued in management fees due to charter management organization on the accompanying statement of financial position.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

Approximately \$125,000 and \$411,000 is due to the Charter School from Excellence for expenses that are to be reimbursed by Excellence after June 30, 2018 and 2017, respectively. Approximately \$24,000 is due to Excellence from the Charter School for expenses that are to be reimbursed by Excellence subsequent to June 30, 2018. Approximately \$93,000 of grant funding is due from Excellence to the Charter School at June 30, 2018. These amounts are included in due from related party on the accompanying statement of financial position at June 30, 2018 and 2017. In addition, the Charter School formalized sub-lease agreements for two facilities with Excellence. See Note C for more details.

Stamford Charter School for Excellence (“Stamford”) is an educational corporation that operates as a charter school in Stamford, Connecticut. The Charter School paid for certain benefits on behalf of Stamford in the amount of \$94,633 and \$40,781 during the years ended June 30, 2018 and 2017, respectively. Approximately \$6,400 is due to Stamford from the Charter School for expenses that are to be reimbursed by the Charter School subsequent to June 30, 2018. These amounts are included in due from related party on the accompanying statement of financial position at June 30, 2018 and 2017.

NOTE C: SCHOOL FACILITIES

The Charter School leases the facility for the Bronx Excellence 2 location. Effective July 1, 2016, the Charter School assigned the lease to Excellence. The sub-lease agreement between the Charter School and Excellence was finalized February 7, 2018 under the same terms of the original lease agreement. The lease term is through June 30, 2021.

In September 2017, the Charter School commenced the process to enter into a sub-lease agreement with Excellence for the facility for the Bronx Excellence 3 location. The sub-lease agreement was finalized as of February 7, 2018. The term of the lease began August 9, 2017 and goes through July 31, 2032.

Total rental expense was approximately \$1,392,000 and \$316,000 for the years ended June 30, 2018 and 2017, respectively.

Future expected minimum payments of these leases are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 1,346,000
2020	1,403,000
2021	1,436,000
2022	1,102,000
2023	1,130,000
Thereafter	<u>11,644,000</u>
	<u>\$ 18,061,000</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 914,772	\$ 914,772
Buildings	33,318,151	33,153,744
Furniture and fixtures	441,771	324,194
Computers and equipment	951,409	616,071
Software	12,661	12,661
Leasehold improvements	1,011,606	920,657
Construction in progress	30,105	-
	<u>36,680,475</u>	<u>35,942,099</u>
Less accumulated depreciation and amortization	<u>3,835,188</u>	<u>2,819,664</u>
	<u>\$ 32,845,287</u>	<u>\$ 33,122,435</u>

No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Total depreciation and amortization expense was \$1,015,524 and \$862,947 for the years ended June 30, 2018 and 2017, respectively.

NOTE E: OPERATING LEASES AND COMMITMENTS

During January 2014, the Charter School canceled its lease of office equipment under a lease agreement that would have expired March 2016. The Charter School entered into a new lease for office equipment under a non-cancelable lease agreement at a monthly cost of \$2,578 that will expire February 2019. Associated with this new lease the Charter School received a buy-out for the remaining payments for its prior lease totaling \$20,800. The Charter School recorded the total buy-out amount as a deferred lease incentive and will recognize approximately \$350 per month for the duration of the new lease as other income. The Charter School recognized approximately \$4,160 for the years ended June 30, 2018 and 2017.

The Charter School leases office equipment under non-cancelable lease agreements at a monthly cost of approximately \$9,300 that will expire at various dates through December 2026.

The Charter School has an elevator service agreement at a monthly cost of \$400 through January 2018. This agreement will be automatically renewed every 5 years unless it is terminated by either party.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE E: OPERATING LEASES AND COMMITMENTS, cont'd

The future minimum payments on these agreements are approximately as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 112,000
2020	105,000
2021	104,000
2022	56,000
2023	16,000
Thereafter	<u>55,000</u>
	<u>\$ 448,000</u>

NOTE F: FAIR VALUE MEASUREMENTS

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

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

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

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

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE F: FAIR VALUE MEASUREMENTS, cont'd

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2018 or 2017 :

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

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

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

The following table sets forth by level, within the fair value hierarchy; the Charter School's restricted investment assets measured at fair value on a recurring basis as of June 30, 2018 and 2017:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
<u>June 30, 2018:</u>				
Money market	\$ 2,903,397	\$ -	\$ -	\$ 2,903,397
Commercial paper	-	78,594	-	78,594
Total assets at fair value	<u>\$ 2,903,397</u>	<u>\$ 78,594</u>	<u>\$ -</u>	<u>\$ 2,981,991</u>
 <u>June 30, 2017:</u>				
Money market	\$ 2,494,090	\$ -	\$ -	\$ 2,494,090
Commercial paper	-	78,430	-	78,430
Total assets at fair value	<u>\$ 2,494,090</u>	<u>\$ 78,430</u>	<u>\$ -</u>	<u>\$ 2,572,520</u>

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE G: BONDS PAYABLE

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

Revenue bonds outstanding as of June 30, 2018 and 2017:

<u>Year</u>	<u>Series A</u>		<u>Series B</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest Rate</u>	
Bond payable	\$ 23,310,000	3% - 5.5%	\$ 90,000	5%	\$ 23,400,000
Unamortized bond premium	1,756,820		-		1,756,820
Unamortized bond issuance costs	<u>(1,181,519)</u>		<u>-</u>		<u>(1,181,519)</u>
Balance at June 30, 2017	<u>\$ 23,885,301</u>		<u>\$ 90,000</u>		<u>\$ 23,975,301</u>
2019	485,000	3%	\$ -		485,000
2020	505,000	3%	-		505,000
2021	525,000	4%	-		525,000
2022	545,000	4%	-		545,000
2023	570,000	4%	-		570,000
Thereafter	<u>20,300,000</u>	4% - 5.5%	<u>-</u>		<u>20,300,000</u>
Bond payable	22,930,000		-		22,930,000
Unamortized bond premium	1,663,551		-		1,663,551
Unamortized bond issuance costs	<u>(1,080,955)</u>		<u>-</u>		<u>(1,080,955)</u>
Balance at June 30, 2018	<u>\$ 23,512,596</u>		<u>\$ -</u>		<u>\$ 23,512,596</u>

Principal payments for the Series A and B bonds are due annually, as indicated, on April 1. Payments of \$380,000 and \$90,000 were made during the year ended June 30, 2018 for the Series A and B bonds, respectively.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE G: BONDS PAYABLE, Cont'd

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

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

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

In accordance with the loan agreement, the proceeds from the sale of the revenue bonds were placed in a Project Fund, maintained by U.S. Bank. The trustee is to use the monies in this fund to make payments to or on behalf of the Charter School to pay for the costs of the project upon receipt of written requisitions. Any monies remaining in the Project Fund will be transferred to the Redemption Account of the Bond Fund, to be applied by the trustees towards the redemption of the bonds. At June 30, 2018 and 2017, the unexpended balance was \$78,594 and \$78,430, which is included in restricted investments.

The Charter School is subject to certain loan covenants which require the Charter School to maintain specified cash on hand, debt service coverage ratio and limitations on further indebtedness. The Charter School is in compliance with all loan covenants as of June 30, 2018 and 2017.

Total issuance costs of approximately \$1,621,000 are being amortized over the life of the bonds. Amortization expense of \$100,564 and \$93,773 was recorded and is recognized in interest expense for the years ended June 30, 2018 and 2017, respectively. The Charter School incurred net interest expense of \$1,102,882 and \$1,126,475 for the years ended June 30, 2018 and 2017, respectively. Included in net interest expense was \$156,351 of capitalized interest and is included in property and equipment and \$970,124 is recognized in the statement of activities and changes in net assets for the year ended June 30, 2017. There was no capitalized interest for the year ended June 30, 2018. \$1,102,882 is recognized in the statement of activities and changes in net assets for the year ended June 30, 2018.

NOTE H: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering all eligible employees. The Charter School matches up to 5% of each employee's annual compensation not to exceed the employee's salary deferral amount. The Charter School may also elect to make additional contributions to the plan on a discretionary basis. The Charter School made contributions of approximately \$56,500 and \$49,800 for the years ended June 30, 2018 and 2017, respectively.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2018

(With Comparative Totals for 2017)

NOTE I: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the 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 J: CONCENTRATIONS

At June 30, 2018, approximately 29% of grants and contracts receivable are due from New York State relating to certain grants. For the year ended June 30, 2018, 84% 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.

At June 30, 2017, approximately 77% of grants and contracts receivables are due from New York State relating to certain grants. For the year ended June 30, 2017, 94% 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 K: SUBSEQUENT EVENT

In August 2018, the New York State Education Department (NYSED) notified the Charter School that it had over-allocated \$75,920 in Title IIA funding to the Charter School for the year ended June 30, 2018. NYSED will reduce the Charter School's Title IIA funding for a period of up to five years to recoup the over-allocated funding. The Charter School has not accounted for this over-allocated funding as a liability as of June 30, 2018.

NOTE L: RENEWAL PROCESS

Bronx Excellence 1 is currently in the process of renewing its charter as granted by the New York State Board of Regents. The charter currently expires July 31, 2019. The renewal process includes review by State University of New York Charter Schools Institute (CSI) of various operational and governance aspects, including fiscal health and internal controls, board governance, and academic performance. Bronx Excellence 1 has submitted its application for renewal. Upon review of the application and results, CSI will determine if the charter should be renewed and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of the Bronx Excellence 1 expects the charter to be renewed.

**BRONX CHARTER SCHOOL FOR EXCELLENCE**

**OTHER FINANCIAL INFORMATION**

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees  
Bronx Charter School for Excellence

We have audited the financial statements of Bronx Charter School for Excellence as of and for the year ended June 30, 2018, and have issued our report thereon dated October 30, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter 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 for the year ended June 30, 2018, as a whole.

*Mengel, Metzger, Barr & Co. LLP*

Rochester, New York  
October 30, 2018

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF ACTIVITIES BY CHARTER

YEAR ENDED JUNE 30, 2018

	<u>Bronx Excellence 1</u>	<u>Bronx Excellence 2</u>	<u>Bronx Excellence 3</u>	<u>Total</u>
Revenue, gains and other support:				
Public school district				
Resident student enrollment	\$ 11,939,352	\$ 2,649,225	\$ 2,207,441	\$ 16,796,018
Students with disabilities	712,990	93,250	32,504	838,744
Grants and contracts:				
State and local	63,092	14,007	250,688	327,787
Federal - Title and IDEA	610,204	19,715	90,205	720,124
Federal - other	3,723	476,826	92,580	573,129
Food service / Child nutrition program	472,020	1,497	-	473,517
NYC DOE Rental Assistance	-	507,996	642,957	1,150,953
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>13,801,381</u>	<u>3,762,516</u>	<u>3,316,375</u>	<u>20,880,272</u>
Expenses:				
Program:				
Regular education	9,472,896	1,745,701	2,588,295	13,806,892
Special education	<u>1,462,329</u>	<u>253,408</u>	<u>363,452</u>	<u>2,079,189</u>
TOTAL PROGRAM EXPENSES	10,935,225	1,999,109	2,951,747	15,886,081
Management and general	698,983	129,619	165,767	994,369
Fundraising and special events	<u>436</u>	<u>-</u>	<u>-</u>	<u>436</u>
TOTAL OPERATING EXPENSES	<u>11,634,644</u>	<u>2,128,728</u>	<u>3,117,514</u>	<u>16,880,886</u>
 SURPLUS FROM SCHOOL OPERATIONS	 2,166,737	 1,633,788	 198,861	 3,999,386
Support and other revenue:				
Contributions				
Corporations	152	46	-	198
Contributed services	6,600	351	4,356	11,307
Fundraising	29,000	1,250	-	30,250
Investment income	21,066	-	-	21,066
Miscellaneous income	<u>3,196</u>	<u>-</u>	<u>-</u>	<u>3,196</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>60,014</u>	<u>1,647</u>	<u>4,356</u>	<u>66,017</u>
 CHANGE IN NET ASSETS	 2,226,751	 1,635,435	 203,217	 4,065,403
Net assets (deficit) at beginning of year	<u>11,632,142</u>	<u>546,447</u>	<u>(1,186)</u>	<u>12,177,403</u>
NET ASSETS AT END OF YEAR	<u>\$ 13,858,893</u>	<u>\$ 2,181,882</u>	<u>\$ 202,031</u>	<u>\$ 16,242,806</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 1

YEAR ENDED JUNE 30, 2018

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel Services Costs:								
Administrative staff personnel	9	\$ 202,139	\$ 36,953	\$ 239,092	\$ 130,436	\$ -	\$ 130,436	\$ 369,528
Instructional personnel	35	2,320,324	393,824	2,714,148	-	-	-	2,714,148
Non-instructional personnel	<u>2</u>	<u>578,120</u>	<u>89,936</u>	<u>668,056</u>	<u>53,378</u>	<u>-</u>	<u>53,378</u>	<u>721,434</u>
Total salaries and wages	46	3,100,583	520,713	3,621,296	183,814	-	183,814	3,805,110
Payroll taxes and employee benefits		911,396	153,061	1,064,457	54,031	-	54,031	1,118,488
Professional development		10,961	1,841	12,802	650	-	650	13,452
Legal fees		12,363	2,077	14,440	733	-	733	15,173
Audit/accounting fees		-	-	-	31,065	-	31,065	31,065
Professional services		787,480	122,111	909,591	37,309	-	37,309	946,900
Student and staff recruitment		16,614	2,790	19,404	986	-	986	20,390
Curriculum and classroom supplies		251,751	16,749	268,500	-	-	-	268,500
Office expenses		141,092	23,394	164,486	8,977	51	9,028	173,514
Food service		525,006	54,516	579,522	-	-	-	579,522
Student services		69,367	7,570	76,937	-	-	-	76,937
Insurance		77,777	13,062	90,839	4,611	-	4,611	95,450
Utilities		157,661	26,478	184,139	9,347	-	9,347	193,486
Non-capitalized equipment and furnishings		30,958	1,816	32,774	5,386	385	5,771	38,545
Repairs and maintenance		262,046	44,008	306,054	15,535	-	15,535	321,589
Depreciation and amortization		805,308	100,662	905,970	100,662	-	100,662	1,006,632
Interest expense		999,241	150,927	1,150,168	53,278	-	53,278	1,203,446
Management fees		1,312,994	220,505	1,533,499	77,839	-	77,839	1,611,338
Other		298	49	347	114,760	-	114,760	115,107
		<u>\$ 9,472,896</u>	<u>\$ 1,462,329</u>	<u>\$ 10,935,225</u>	<u>\$ 698,983</u>	<u>\$ 436</u>	<u>\$ 699,419</u>	<u>\$ 11,634,644</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 2

YEAR ENDED JUNE 30, 2018

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel Services Costs:								
Administrative staff personnel	2	\$ 69,119	\$ 13,189	\$ 82,308	\$ 49,584	\$ -	\$ 49,584	\$ 131,892
Instructional personnel	8	421,594	46,844	468,438	-	-	-	468,438
Non-instructional personnel	<u>1</u>	<u>137,318</u>	<u>25,730</u>	<u>163,048</u>	<u>21,750</u>	<u>-</u>	<u>21,750</u>	<u>184,798</u>
Total salaries and wages	11	628,031	85,763	713,794	71,334	-	71,334	785,128
Payroll taxes and employee benefits		125,766	21,121	146,887	7,458	-	7,458	154,345
Professional development		265	45	310	16	-	16	326
Legal fees		2,716	456	3,172	161	-	161	3,333
Audit/accounting fees		-	-	-	1,665	-	1,665	1,665
Professional services		169,796	26,309	196,105	8,025	-	8,025	204,130
Student and staff recruitment		696	117	813	41	-	41	854
Curriculum and classroom supplies		141,185	7,276	148,461	-	-	-	148,461
Office expenses		28,976	4,866	33,842	1,718	-	1,718	35,560
Food Services								
Student services		12,112	1,258	13,370	-	-	-	13,370
Insurance		11,458	1,924	13,382	679	-	679	14,061
Building and Land Rent / Lease		255,426	42,897	298,323	15,143	-	15,143	313,466
Utilities		37,199	6,247	43,446	2,205	-	2,205	45,651
Non-capitalized equipment and furnishings		9,539	1,222	10,761	214	-	214	10,975
Repairs and maintenance		32,502	5,458	37,960	1,927	-	1,927	39,887
Depreciation and amortization		6,044	756	6,800	756	-	756	7,556
Management fees		283,990	47,693	331,683	16,836	-	16,836	348,519
Other		-	-	-	1,441	-	1,441	1,441
		<u>\$ 1,745,701</u>	<u>\$ 253,408</u>	<u>\$ 1,999,109</u>	<u>\$ 129,619</u>	<u>\$ -</u>	<u>\$ 129,619</u>	<u>\$ 2,128,728</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 3

YEAR ENDED JUNE 30, 2018

	No. of Positions	Program Services			Supporting Services			Total
		Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	
Personnel Services Costs:								
Administrative staff personnel	2	\$ 68,897	\$ 16,405	\$ 85,302	\$ 34,987	\$ -	\$ 34,987	\$ 120,289
Instructional personnel	14	508,040	56,449	564,489	-	-	-	564,489
Non-instructional personnel	2	130,744	31,986	162,730	14,285	-	14,285	177,015
Total salaries and wages	18	707,681	104,840	812,521	49,272	-	49,272	861,793
Payroll taxes and employee benefits		140,019	20,743	160,762	9,749	-	9,749	170,511
Professional development		265	39	304	18	-	18	322
Legal fees		2,404	356	2,760	167	-	167	2,927
Audit/accounting fees		-	-	-	-	-	-	-
Professional services		296,219	37,446	333,665	15,934	-	15,934	349,599
Student and staff recruitment		1,143	102	1,245	30	-	30	1,275
Curriculum and classroom supplies		101,529	7,192	108,721	1,351	-	1,351	110,072
Office expenses		32,840	4,865	37,705	2,286	-	2,286	39,991
Food service		214	32	246	15	-	15	261
Student services		1,794	28	1,822	-	-	-	1,822
Insurance		9,382	1,390	10,772	653	-	653	11,425
Building and Land Rent / Lease		885,439	131,174	1,016,613	61,648	-	61,648	1,078,261
Utilities		35,829	5,308	41,137	2,495	-	2,495	43,632
Non-capitalized equipment and furnishings		65,463	4,320	69,783	640	-	640	70,423
Repairs and maintenance		68,936	10,213	79,149	4,800	-	4,800	83,949
Depreciation and amortization		1,068	134	1,202	134	-	134	1,336
Management fees		233,530	34,597	268,127	16,259	-	16,259	284,386
Other		4,540	673	5,213	316	-	316	5,529
		<u>\$ 2,588,295</u>	<u>\$ 363,452</u>	<u>\$ 2,951,747</u>	<u>\$ 165,767</u>	<u>\$ -</u>	<u>\$ 165,767</u>	<u>\$ 3,117,514</u>

**BRONX CHARTER SCHOOL FOR EXCELLENCE**

**BRONX, NEW YORK**

**SCHEDULES REQUIRED BY GOVERNMENT  
AUDITING STANDARDS AND THE UNIFORM  
GUIDANCE**

**AND**

**INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2018**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

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

Board of Trustees  
Bronx Charter School for Excellence

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

**Internal Control over Financial Reporting**

Management of Bronx Charter School for Excellence is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered Bronx Charter School for Excellence's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bronx Charter School for Excellence's internal control. Accordingly, we do not express an opinion on the effectiveness of Bronx Charter School for Excellence's internal control.

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

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

### **Compliance and Other Matters**

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

We noted certain matters that we have reported to management of Bronx Charter School for Excellence in a separate letter dated October 30, 2018.

### **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.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 30, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees  
Bronx Charter School for Excellence

**Report on Compliance for Each Major Federal Program**

We have audited Bronx Charter School for Excellence's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Bronx Charter School for Excellence's major federal programs for the year ended June 30, 2018. Bronx Charter School for Excellence's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Bronx Charter School for Excellence's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bronx Charter School for Excellence's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Bronx Charter School for Excellence's compliance.

### **Opinion on Each Major Program**

In our opinion, Bronx Charter School for Excellence complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2018.

### **Report on Internal Control over Compliance**

Management of Bronx Charter School for Excellence is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Bronx Charter School for Excellence's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bronx Charter School for Excellence's internal control over compliance.

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

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

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

**Report on Schedule of Expenditures of Federal Awards in Accordance with the Uniform Guidance**

We have audited the financial statements of Bronx Charter School for Excellence as of and for the year ended June 30, 2018, and have issued our report thereon dated October 30, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Mengel, Metzger, Baw & Co. LLP*

Rochester, New York  
October 30, 2018

BRONX CHARTER SCHOOL FOR EXCELLENCE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018

	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:			
<u>Passed through NYS Department of Education</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	\$ 527,406
Title IIA - Improving Teacher Quality	84.367	0147	135,054
2016-2018 Charter Schools Program Planning and Implementation	84.282A	C402764	476,826
<u>Passed through Excellence Community Schools, Inc.</u>			
Charter Schools Program - Replication and Expansion of High-Quality Excellence Community Charter Schools	84.282M	U282M160032	<u>92,580</u>
TOTAL DEPARTMENT OF EDUCATION			<u>1,231,866</u>
U.S. Department of Agriculture:			
<u>Passed through NYS Department of Education</u>			
School Breakfast Program	10.553	1000001406	79,528
National School Lunch Program	10.555	1000001406	<u>375,242</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>454,770</u>
TOTAL ALL PROGRAMS			<u>\$ 1,686,636</u>

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bronx Charter School for Excellence and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Bronx Charter School for Excellence has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

BRONX CHARTER SCHOOL FOR EXCELLENCE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018

SUMMARY OF AUDITOR'S RESULTS

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Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness (es) identified?	_____ yes <u>  x  </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes <u>  x  </u> none reported
Noncompliance material to financial statements noted?	_____ yes <u>  x  </u> no

Federal Awards

Internal control over major programs:	
• Material weakness (es) identified?	_____ yes <u>  x  </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes <u>  x  </u> none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	_____ yes <u>  x  </u> no

Identification of major program:

*CFDA Number:*

84.010  
84.282A

*Name of Federal Program or Cluster:*

Title I - Grants to Local Educational Agencies  
2016-2018 Charter Schools Program Planning  
and Implementation

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?	_____ yes <u>  x  </u> no
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BRONX CHARTER SCHOOL FOR EXCELLENCE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd  
YEAR ENDED JUNE 30, 2018

FINDING – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM

None.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.