

BRONX CHARTER SCHOOL FOR BETTER LEARNING

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2014

(With Comparative Totals for 2013)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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MENGEL METZGER BARR & CO. LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Bronx Charter School for Better Learning

Report on the Financial Statements

We have audited the accompanying financial statements of Bronx Charter School for Better Learning, which comprise the statement of financial position as of June 30, 2014, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* Issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bronx Charter School for Better Learning as of June 30, 2014, 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 Better Learning's June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 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 23, 2014 on our consideration of Bronx Charter School for Better Learning's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bronx Charter School for Better Learning's internal control over other financial reporting and compliance.

Mengel, Metzger, Barz & Co. LLP

Rochester, New York
October 23, 2014

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

(With Comparative Totals for 2013)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 355,088	\$ 252,137
Certificates of deposit	1,104,552	1,101,961
Grants and other receivables	245,809	84,822
Prepaid expenses and other current assets	<u>78,220</u>	<u>61,720</u>
TOTAL CURRENT ASSETS	1,783,669	1,500,640
<u>PROPERTY AND EQUIPMENT</u> , net	215,663	379,074
<u>OTHER ASSET</u> - restricted cash	<u>77,373</u>	<u>76,727</u>
TOTAL ASSETS	<u>\$ 2,076,705</u>	<u>\$ 1,956,441</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Line of credit	\$ 200,000	\$ 200,000
Accounts payable and accrued expenses	138,886	80,017
Accrued payroll and benefits	537,339	552,275
Deferred revenue	<u>12,560</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	888,785	832,292
<u>NET ASSETS</u>		
Unrestricted	1,159,805	1,085,043
Temporarily restricted	<u>28,115</u>	<u>39,106</u>
TOTAL NET ASSETS	<u>1,187,920</u>	<u>1,124,149</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,076,705</u>	<u>\$ 1,956,441</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, 2014
(With Comparative Totals for 2013)

	Year ended June 30,			2013
	2014			
	Unrestricted	Temporarily restricted	Total	
Operating revenue and support:				
State and local per pupil operating revenue	\$ 6,066,367	\$ -	\$ 6,066,367	\$ 5,628,084
Governmental grants	354,144	-	354,144	432,825
Contributions	104,810	9,850	114,660	101,383
In-kind contributions	57,000	-	57,000	-
Interest income	4,019	-	4,019	2,982
Special events	37,897	-	37,897	50,714
Other income	-	-	-	19,674
Net assets released from restrictions	20,841	(20,841)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	6,645,078	(10,991)	6,634,087	6,235,662
Expenses:				
Program:				
Regular education	5,069,312	-	5,069,312	5,414,533
Special education	533,175	-	533,175	465,402
Management and general	777,813	-	777,813	1,022,142
Fundraising and special events	190,016	-	190,016	181,904
TOTAL EXPENSES	6,570,316	-	6,570,316	7,083,981
CHANGE IN NET ASSETS	74,762	(10,991)	63,771	(848,319)
Net assets at beginning of year	1,085,043	39,106	1,124,149	1,972,468
NET ASSETS AT END OF YEAR	<u>\$ 1,159,805</u>	<u>\$ 28,115</u>	<u>\$ 1,187,920</u>	<u>\$ 1,124,149</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, 2014
(With Comparative Totals for 2013)

	Year ended June 30,										
	2014						2013				
	No. of Positions	Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Total	Total	Total	
Personnel services costs:											
Administrative staff personnel	4	\$ 23,689	\$ 7,896	\$ 31,585	\$ 118,446	\$ 86,763	\$ 205,209	\$ 236,794	\$ 218,469	\$ 218,469	
Instructional personnel	69	3,003,611	323,801	3,327,412	-	-	-	3,327,412	3,647,827	3,647,827	
Non-instructional personnel	7	478,758	52,589	531,347	129,316	19,208	148,524	679,871	612,722	612,722	
Total personnel services costs	80	3,506,058	384,286	3,890,344	247,762	105,971	353,733	4,244,077	4,479,018	4,479,018	
Fringe benefits and payroll taxes		826,266	91,430	917,696	246,315	23,891	270,206	1,187,902	1,319,104	1,319,104	
Legal service		-	-	-	1,308	-	1,308	1,308	6,017	6,017	
Accounting / audit services		-	-	-	23,632	-	23,632	23,632	19,544	19,544	
Other purchased / professional / and consulting services		180,963	17,245	198,208	114,702	31,943	146,645	344,853	497,406	497,406	
Building and land rent / lease		796	88	884	83	23	106	990	1,915	1,915	
Repairs and maintenance		3,776	418	4,194	390	109	499	4,693	10,555	10,555	
Insurance		23,173	2,564	25,737	7,933	670	8,603	34,340	30,556	30,556	
Utilities		41,929	4,640	46,569	4,342	1,212	5,554	52,123	40,595	40,595	
Supplies and materials		90,798	6,567	97,365	6,146	1,716	7,862	105,227	119,753	119,753	
Staff development		42,555	5,145	47,700	9,062	1,827	10,889	58,589	54,925	54,925	
Marketing and recruitment		5,953	556	6,509	1,785	-	1,785	8,294	35,246	35,246	
Non-capitalized equipment/ furnishings		57,000	-	57,000	-	-	-	57,000	-	-	
Technology		15,351	1,699	17,050	1,590	444	2,034	19,084	33,961	33,961	
Food service		18,742	1,408	20,150	1,318	368	1,686	21,836	12,998	12,998	
Student services		33,183	3,165	36,348	381	6,607	6,988	43,336	52,074	52,074	
Office expense		117,245	12,974	130,219	12,141	3,390	15,531	145,750	136,529	136,529	
Depreciation		96,575	-	96,575	94,103	-	94,103	190,678	175,080	175,080	
Other		8,949	990	9,939	4,820	11,845	16,665	26,604	58,705	58,705	
Total		\$ 5,069,312	\$ 533,175	\$ 5,602,487	\$ 777,813	\$ 190,016	\$ 967,829	\$ 6,570,316	\$ 7,083,981	\$ 7,083,981	

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, 2014
(With Comparative Totals for 2013)

	<u>Year ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 63,771	\$ (848,319)
Adjustments to reconcile change in net assets to net cash provided from (used for) operating activities:		
Depreciation	190,678	175,080
Changes in certain assets and liabilities affecting operations:		
Restricted cash	(646)	(1)
Grants and other receivables	(160,987)	(28,851)
Prepaid expenses and other current assets	(16,500)	(22,362)
Accounts payable and accrued expenses	58,869	(32,996)
Accrued payroll and benefits	(14,936)	135,620
Deferred revenue	12,560	-
NET CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES	132,809	(621,829)
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(27,267)	(321,809)
Purchases of certificates of deposit	(2,591)	(1,582)
NET CASH USED FOR INVESTING ACTIVITIES	(29,858)	(323,391)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Net borrowings on line of credit	-	200,000
NET CASH PROVIDED FROM FINANCING ACTIVITIES	-	200,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	102,951	(745,220)
Cash and cash equivalents at beginning of year	252,137	997,357
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 355,088	\$ 252,137

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014
(With Comparative Totals for 2013)

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 and June 24, 2013, the Charter School obtained a five year charter renewal. 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 (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.

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, 2014 or 2013.

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 \$28,115 and \$39,106 of temporarily restricted net assets at June 30, 2014 and 2013, 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

YEAR ENDED JUNE 30, 2014
(With Comparative Totals for 2013)

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

Cash and cash equivalents

Cash and certain money market account 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 investments with a maturity of three months or less when purchased to be cash equivalents. In the normal course of business, the cash and cash equivalent 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.

Certificates of deposit

Certificates of deposit represent certificates of deposit with maturities of twelve months or less. The fair value of these assets was determined based on their original cost basis. In the normal course of business, the 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, 2014 or 2013.

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.

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.

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 in the U.S. federal jurisdiction. With few exceptions, as of June 30, 2014, the Charter School is no longer subject to U.S. federal income tax examinations by tax authorities for years ended before June 30, 2011. Years ended June 30, 2011 through June 30, 2014 are still subject to potential audit by the IRS. Management of the Charter School believes they have no material uncertain tax positions and, accordingly, have not recognized any liability for unrecognized tax benefits.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2014
(With Comparative Totals for 2013)

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

In-kind donations

Gifts and donations other than cash are recorded at fair value at the date of contribution. The Charter School received contributions of technology of \$57,000 in the year ended June 30, 2014. There were no in-kind gifts or donations in the year ended June 30, 2013.

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.

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$8,300 and \$35,200 for the years ended June 30, 2014 and 2013, respectively.

Comparatives for year ended June 30, 2013

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, 2013, from which the summarized information was derived.

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 23, 2014, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

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 23, 2014, the renewal of this agreement was still under negotiation.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2014
(With Comparative Totals for 2013)

NOTE C: RESTRICTED CASH

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

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	<u>2014</u>	<u>2013</u>
Furniture and fixtures	\$ 456,083	\$ 449,300
Computer equipment	<u>631,953</u>	<u>611,469</u>
	1,088,036	1,060,769
Less accumulated depreciation	<u>872,373</u>	<u>681,695</u>
	<u>\$ 215,663</u>	<u>\$ 379,074</u>

NOTE E: LINE OF CREDIT

The Charter School had available a \$250,000 line of credit with a bank which matured in March 2013.

The Charter School entered into a \$200,000 line of credit agreement with a bank during 2013. Interest is payable at prime plus 75 basis points (effective rate of 4.00% at June 30, 2014). There was an outstanding balance of \$200,000 at June 30, 2014 and 2013. The line is secured by a certain Certificate of Deposit held by the Charter School.

NOTE F: OPERATING LEASES

The Charter School leases office equipment under certain non-cancelable lease agreements expiring through February 2019. Lease expense was approximately \$70,000 and \$60,000 for the years ended June 30, 2014 and 2013, respectively. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2015	\$ 50,568
2016	50,568
2017	50,568
2018	44,568
2019	<u>4,667</u>
	<u>\$ 200,939</u>

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2014
(With Comparative Totals for 2013)

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, 2014 and 2013, the Charter School contributed approximately \$109,000 and \$112,000, respectively, to the Plan.

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: CONCENTRATIONS

At June 30, 2014 and 2013, approximately 56% and 58%, respectively, of grants and other receivables are due from the New York State Department of Education relating to certain grants. Also at June 30, 2014 and 2013, approximately 37% and 28%, respectively, of grants and other receivables are due from Mt. Vernon Department of Education.

During the years ended June 30, 2014 and 2013, 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, 2014 and 2013, temporarily restricted net assets were available for the following:

	June 30,	
	2014	2013
Scholarship fund	\$ 28,115	\$ 24,765
Classroom technology	-	500
Teacher training and development	-	13,841
	<u>\$ 28,115</u>	<u>\$ 39,106</u>

BRONX CHARTER SCHOOL FOR BETTER LEARNING

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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 Better Learning

We have audited 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, the financial statements of Bronx Charter School for Better Learning, which comprise the statement of financial position as of June 30, 2014, 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 23, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bronx Charter School for Better Learning'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 Better Learning's internal control. Accordingly, we do not express an opinion on the effectiveness of Bronx Charter School for Better Learning's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bronx Charter School for Better Learning'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 reported to management of Bronx Charter School for Better Learning in a separate letter dated October 23, 2014.

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.

Restricted Use

This report is intended solely for the information and use of the Board of Trustees, management, federal, state and local awarding agencies, the State University of New York, the New York State Education Department 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 23, 2014

BRONX CHARTER SCHOOL FOR BETTER LEARNING

ADVISORY COMMENT LETTER

JUNE 30, 2014



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 23, 2014

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") as of and for the year ended June 30, 2014, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

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

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

During the course of our audit of the financial statements of Bronx Charter School for Better Learning as of June 30, 2014 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 comment which we do not consider to be a significant deficiency or material weakness.

- 1 -

In-Kind Contributions

During our audit, we noted the Charter School received various contributions of equipment which were not recognized in the financial statements, some of which were significant. While most of the items were described in the minutes, not all were assigned a value and there did not seem to be a consistent person responsible for tracking the award of the items, receipt of the items, and communication to the finance team. Donated materials or in-kind contributions requiring professional skill should, if possible, be valued and recorded in the appropriate period.

Recommendation

We recommend an individual with knowledge of in-kind contributions of materials and services received be assigned to track these items, keeping records including a description of the transaction, an estimated or known dollar amount for the value of the donated goods or services, and a date received. This information should be communicated to the finance team in a timely manner so the contributions can be properly reflected in the financial statements.

Status of matters included in our letter as of June 30, 2013, dated October 16, 2013:

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.

Status at June 30, 2012

During our 2012 audit, we noted the Charter School has set up a formal grant tracking spreadsheet, which monitors restricted revenue as well as amounts that are subsequently released from restriction.

Status at June 30, 2013

During our 2013 audit, we noted the Charter School was using the grant tracking spreadsheet noted above, however, our audit procedures revealed it failed to include a temporarily restricted grant outstanding at the end of the year in the amount of \$10,000. We recommend that this spreadsheet be continually updated and reviewed to ensure all contributions received with donor restrictions are captured and recorded appropriately.

Status at June 30, 2014

During our 2014 audit, we noted the Charter School was using the grant tracking spreadsheet and our audit procedures revealed no instances where it failed to include a temporarily restricted grant outstanding.

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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 Greg Carver.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

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