

BRONX CHARTER SCHOOL FOR BETTER LEARNING

ADVISORY COMMENT LETTER

JUNE 30, 2013



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 16, 2013

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, 2013, 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.

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WE VALUE YOUR FUTURE

Status of matters included in our letter as of June 30, 2012, dated October 25, 2012:

Revenue Recognition for Per-Pupil Revenues

Our audit procedures revealed errors in the final data submitted to the NYC Department of Education (DOE) used to calculate the amount of per-pupil revenue earned by the Charter School during the current fiscal year. We found errors in special education per-pupil revenue earned during the current year. For two students, due to extenuating circumstances, the school was not able to recognize revenue for the full year although the students were in attendance for the full year. The Charter School had improperly recognized a full year of special education per-pupil revenue for these students. This resulted in an adjustment to reduce revenue and record a payable for approximately \$13,000.

Recommendation

When preparing the final submission to the DOE for per-pupil revenue for both regular education and special education, care should be taken to ensure the data per the VPortal website is consistent with the school's records. Although the VPortal does automatically populate some fields, it needs to be reviewed for accuracy before final submission to the DOE. In addition, a staff member familiar with students receiving special education services should review the special education portion of the submission to ensure accuracy.

Status at June 30, 2013

During our 2013 audit, our audit procedures revealed no instances of incorrectly calculated special education per-pupil revenue.

Purchase Orders

Our audit procedures revealed four instances where a copied, pre-signed purchase order form was used to approve purchases. The use of a pre-authorized purchase order circumvents the control and could potentially obligate the school to purchase goods or services that were not approved.

Recommendation

In order to avoid unauthorized purchases and ensure a strong control environment, we recommend blank purchase orders are used and required signatures are obtained in each instance documenting approval.

Status at June 30, 2013

During our 2013 audit, our audit procedures revealed no instances of pre-signed purchase orders and management represented to us that this practice was no longer in place.

Purchase Approvals

Our audit procedures revealed one instance where a purchase over \$25,000 did not have approval of the Board Treasurer. According to the Financial Policies and Procedures Manual, the Board Treasurer should approve all purchases over \$25,000.

Recommendation

We recommend all required approvals be obtained as stated in the Financial Policies and Procedures Manual.

Status at June 30, 2013

During our 2013 audit, we noted the Board of Trustees authorized the signing of checks for health and property insurance bills above \$25,000 without the Treasurer's signature. During our testing, we noted all purchase orders selected over \$25,000 were for health or property insurance and had the necessary approvals in accordance with the School's adopted policies and procedures.

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.

* * * * *

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

MENGEL, METZGER, BARR & CO. LLP

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, 2013, 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 16, 2013.

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 16, 2013.

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, Barw & Co. LLP

Rochester, New York
October 16, 2013

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, 2013

(With Comparative Totals for 2012)

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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, 2013, 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.

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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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Bronx Charter School for Better Learning's June 30, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 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 16, 2013 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 financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 16, 2013

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

(With Comparative Totals for 2012)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 252,137	\$ 997,357
Certificates of deposit	1,101,961	1,100,379
Grants and other receivables	84,822	55,971
Prepaid expenses and other current assets	<u>61,720</u>	<u>39,358</u>
TOTAL CURRENT ASSETS	1,500,640	2,193,065
<u>PROPERTY AND EQUIPMENT</u> , net	379,074	232,345
<u>OTHER ASSET</u> - restricted cash	<u>76,727</u>	<u>76,726</u>
TOTAL ASSETS	<u>\$ 1,956,441</u>	<u>\$ 2,502,136</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Line of credit	\$ 200,000	\$ -
Accounts payable and accrued expenses	80,017	113,013
Accrued payroll and benefits	<u>552,275</u>	<u>416,655</u>
TOTAL CURRENT LIABILITIES	832,292	529,668
 <u>NET ASSETS</u>		
Unrestricted	1,085,043	1,951,161
Temporarily restricted	<u>39,106</u>	<u>21,307</u>
TOTAL NET ASSETS	<u>1,124,149</u>	<u>1,972,468</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,956,441</u>	<u>\$ 2,502,136</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, 2013
(With Comparative Totals for 2012)

	Year ended June 30,			2012
	2013		Total	
	Unrestricted	Temporarily restricted		Total
Operating revenue and support:				
State and local per pupil operating revenue	\$ 5,628,084	\$ -	\$ 5,628,084	\$ 5,441,582
Governmental grants	432,825	-	432,825	304,563
Contributions	67,614	33,769	101,383	97,144
Interest income	2,982	-	2,982	6,248
Special events	50,714	-	50,714	25,623
Other income	19,674	-	19,674	-
Net assets released from restrictions	15,970	(15,970)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	6,217,863	17,799	6,235,662	5,875,160
Expenses:				
Program:				
Regular education	5,414,533	-	5,414,533	4,685,793
Special education	465,402	-	465,402	449,004
Management and general	1,022,142	-	1,022,142	813,054
Fundraising and special events	181,904	-	181,904	175,746
TOTAL EXPENSES	7,083,981	-	7,083,981	6,123,597
CHANGE IN NET ASSETS	(866,118)	17,799	(848,319)	(248,437)
Net assets at beginning of year	1,951,161	21,307	1,972,468	2,220,905
NET ASSETS AT END OF YEAR	\$ 1,085,043	\$ 39,106	\$ 1,124,149	\$ 1,972,468

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, 2013

(With Comparative Totals for 2012)

	Year ended June 30,									
	2013					2012				
	Program Services		Management and general		Fundraising and special events	Sub-total		Total		Total
Regular Education	Special Education	Sub-total								
Personnel services costs:										
Administrative staff personnel	\$ 3,405,149	242,678	3,647,827	\$ 144,066	\$ 74,403	\$ 218,469	\$ 218,469	\$ 218,469	\$ 218,469	\$ 202,352
Instructional personnel	358,000	50,583	408,583	-	-	-	3,647,827	3,647,827	3,647,827	3,170,322
Non-instructional personnel	3,763,149	293,261	4,056,410	184,185	19,954	204,139	612,722	612,722	612,722	583,628
Total personnel services costs				328,251	94,357	422,608	4,479,018	4,479,018	4,479,018	3,956,302
Fringe benefits and payroll taxes	954,154	92,545	1,046,699	235,157	37,248	272,405	1,319,104	1,319,104	1,319,104	978,804
Legal service	-	-	-	6,017	-	6,017	6,017	6,017	6,017	1,760
Accounting / audit services	-	-	-	19,544	-	19,544	19,544	19,544	19,544	22,217
Other purchased / professional / and consulting services	309,562	34,387	343,949	121,821	31,636	153,457	497,406	497,406	497,406	471,384
Building and land rent / lease	1,532	172	1,704	154	57	211	1,915	1,915	1,915	2,750
Repairs and maintenance	8,128	914	9,042	1,208	305	1,513	10,555	10,555	10,555	9,682
Insurance	22,155	369	22,524	7,308	724	8,032	30,556	30,556	30,556	30,214
Utilities	32,484	3,655	36,139	3,238	1,218	4,456	40,595	40,595	40,595	20,898
Supplies and materials	107,267	9,733	117,000	1,755	998	2,753	119,753	119,753	119,753	138,655
Staff development	33,291	4,207	37,498	12,812	4,615	17,427	54,925	54,925	54,925	49,400
Marketing and recruitment	1,003	91	1,094	34,152	-	34,152	35,246	35,246	35,246	40,284
Technology	18,863	2,120	20,983	12,332	646	12,978	33,961	33,961	33,961	20,770
Food service	10,451	1,155	11,606	1,012	380	1,392	12,998	12,998	12,998	17,212
Student services	39,993	7,171	47,164	44	4,866	4,910	52,074	52,074	52,074	73,064
Office expense	105,859	14,902	120,761	12,986	2,782	15,768	136,529	136,529	136,529	103,814
Depreciation	-	-	-	175,080	-	175,080	175,080	175,080	175,080	144,062
Other	6,642	720	7,362	49,271	2,072	51,343	58,705	58,705	58,705	42,325
	\$ 5,414,533	\$ 465,402	\$ 5,879,935	\$ 1,022,142	\$ 181,904	\$ 1,204,046	\$ 7,083,981	\$ 7,083,981	\$ 7,083,981	\$ 6,123,597

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, 2013
(With Comparative Totals for 2012)

	<u>Year ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (848,319)	\$ (248,437)
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:		
Depreciation	175,080	144,062
Loss on sale of property and equipment	-	9,363
Changes in certain assets and liabilities affecting operations:		
Restricted cash	(1)	(27)
Grants and other receivables	(28,851)	86,430
Prepaid expenses and other current assets	(22,362)	(25,375)
Accounts payable and accrued expenses	(32,996)	61,602
Accrued payroll and benefits	135,620	386,949
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(621,829)	414,567
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(321,809)	(144,142)
Purchases of certificates of deposit	(1,582)	(3,455)
NET CASH USED FOR INVESTING ACTIVITIES	(323,391)	(147,597)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Net borrowings on line of credit	200,000	-
NET CASH PROVIDED FROM FINANCING ACTIVITIES	200,000	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(745,220)	266,970
Cash and cash equivalents at beginning of year	997,357	730,387
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 252,137</u>	<u>\$ 997,357</u>

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, 2013
(With Comparative Totals for 2012)

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, 2013 or 2012.

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 \$39,106 and \$21,307 of temporarily restricted net assets at June 30, 2013 and 2012, 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, 2013
(With Comparative Totals for 2012)

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 interest bearing account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in certificates of deposit.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2013 or 2012.

Property and equipment

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

Tax exempt status

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

The Charter School has filed for and received income tax exemptions in the various jurisdictions where it is required to do so. The Charter School files Form 990 in the U.S. federal jurisdiction. With few exceptions, as of June 30, 2013, the Charter School is no longer subject to U.S. federal income tax examinations by tax authorities for years ended before June 30, 2010. Years ended June 30, 2010 through June 30, 2013 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.

Contributed services

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2013
(With Comparative Totals for 2012)

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

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$35,200 and \$40,300 for the years ended June 30, 2013 and 2012, respectively.

Use of estimates in the preparation of financial statements

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

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 16, 2013, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

Reclassifications

Certain 2012 amounts have been reclassified to conform with 2013 presentation.

Comparatives for year ended June 30, 2012

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, 2012, from which the summarized information was derived.

NOTE B: SCHOOL FACILITY

The Charter School has entered into a "Facility Shared Use Agreement" (the "Agreement") with the New York City Department of Education for dedicated and shared space at P.S. 111 Annex, a New York City Public School located at 3740 Baychester Avenue, Bronx, New York. The Agreement commenced on July 1, 2005 and terminated on June 30, 2010. Pursuant to the terms of the Agreement, the Charter School shall pay \$1 per annum for the use of the shared facility during regular opening hours. The Charter School shall be responsible for any overtime-related costs for services provided beyond regular opening hours. As of October 16, 2013, the renewal of this agreement was still under negotiation.

NOTE C: RESTRICTED CASH

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2013
(With Comparative Totals for 2012)

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2013	2012
Furniture and fixtures	\$ 449,300	\$ 419,502
Computer equipment	611,469	319,458
	1,060,769	738,960
Less accumulated depreciation	681,695	506,615
	<u>\$ 379,074</u>	<u>\$ 232,345</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 the year. Interest is payable at prime plus 75 basis points (effective rate of 4.00% at June 30, 2013). There was an outstanding balance of \$200,000 at June 30, 2013. The line is secured by substantially all assets of the Charter School.

NOTE F: OPERATING LEASES

The Charter School leases office equipment under certain non-cancelable lease agreements expiring through March 2018. Lease expense was approximately \$60,000 and \$30,000 for the years ended June 30, 2013 and 2012, respectively. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 69,816
2015	69,816
2016	56,670
2017	44,393
2018	24,000
	<u>\$ 264,695</u>

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2013
(With Comparative Totals for 2012)

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, 2013 and 2012, the Charter School contributed approximately \$112,000 and \$98,000, 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, 2013 and 2012, approximately 58% and 51%, respectively, of grants and other receivables are due from the New York State Department of Education relating to certain grants. Also at June 30, 2013 and 2012, approximately 28% and 36%, respectively, of grants and other receivables are due from Mt. Vernon Department of Education.

During the years ended June 30, 2013 and 2012, 90% and 93%, 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, 2013 and 2012, temporarily restricted net assets were available for the following:

	June 30,	
	2013	2012
Scholarship fund	\$ 24,765	\$ 10,709
Classroom technology	500	-
Teacher training and development	13,841	10,598
	<u>\$ 39,106</u>	<u>\$ 21,307</u>