

BRONX CHARTER SCHOOL FOR EXCELLENCE

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2022

(With Comparative Totals for 2021)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	10
 <u>OTHER FINANCIAL INFORMATION</u>	
Independent Auditor's Report on Other Financial Information	26
Statement of Activities by Charter	27
Statement of Functional Expenses by Charter:	
Bronx Excellence 1	28
Bronx Excellence 2	29
Bronx Excellence 3	30
Bronx Excellence 4	31
Bronx Excellence 5	32

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Bronx Charter School for Excellence

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Bronx Charter School for Excellence which comprise the statement of financial position as of June 30, 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bronx Charter School for Excellence as of June 30, 2022, 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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bronx Charter School for Excellence and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bronx Charter School for Excellence's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bronx Charter School for Excellence's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bronx Charter School for Excellence's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Bronx Charter School for Excellence's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022 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, Baw & Co. LLP

Rochester, New York
October 20, 2022

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

(With Comparative Totals for 2021)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 17,723,799	\$ 23,666,557
Grants and contracts receivable	3,971,123	1,211,156
Investments	15,000,000	-
Prepaid expenses	442,490	578,652
Due from related parties	<u>2,072,886</u>	<u>1,738,240</u>
TOTAL CURRENT ASSETS	39,210,298	27,194,605
 <u>PROPERTY AND EQUIPMENT, net</u>	 32,642,150	 32,361,764
 <u>OTHER ASSETS</u>		
Cash in escrow	225,000	225,000
Security deposits	601,389	598,504
Investments - restricted	<u>3,292,545</u>	<u>2,998,162</u>
	4,118,934	3,821,666
TOTAL ASSETS	<u>\$ 75,971,382</u>	<u>\$ 63,378,035</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current portion of bonds payable	\$ 570,000	\$ 545,000
Accounts payable	406,347	379,966
Accrued expenses	357,649	381,974
Accrued payroll and benefits	2,880,014	2,703,306
Deferred revenue	498,523	64,931
Management fees due to charter management organization	<u>1,004,279</u>	<u>95,049</u>
TOTAL CURRENT LIABILITIES	5,716,812	4,170,226
 <u>OTHER LIABILITIES</u>		
Bonds payable, net of unamortized bond issuance costs of \$760,009 and \$833,470, respectively	20,839,332	21,424,244
Reserve for payment of debt service	1,540,000	1,540,000
Deferred lease liability	<u>1,878,155</u>	<u>1,488,136</u>
	24,257,487	24,452,380
TOTAL LIABILITIES	29,974,299	28,622,606
 <u>NET ASSETS, without donor restrictions</u>	 <u>45,997,083</u>	 <u>34,755,429</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 75,971,382</u>	<u>\$ 63,378,035</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, 2022
(With Comparative Totals for 2021)

	<u>Year ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Revenue, gains and other support:		
Public school district:		
Resident student enrollment	\$ 36,511,331	\$ 31,560,337
Students with disabilities	3,429,823	2,809,727
Grants and contracts:		
State and local	146,373	132,285
Federal - Title and IDEA	1,770,313	1,273,973
Federal - other	3,789,259	1,235,040
Food Service/Child Nutrition Program	666,128	210,800
NYC DoE Rental Assistance	<u>3,723,895</u>	<u>3,499,172</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	50,037,122	40,721,334
Expenses:		
Program:		
Regular education	29,883,764	24,065,246
Special education	6,225,725	5,430,611
Management and general	<u>2,900,983</u>	<u>2,579,876</u>
TOTAL OPERATING EXPENSES	<u>39,010,472</u>	<u>32,075,733</u>
SURPLUS FROM SCHOOL OPERATIONS	11,026,650	8,645,601
Support and other revenue:		
Contributions:		
Foundations	51,277	525
Corporations	5	13
Investment income	19,739	14,248
Miscellaneous income (expense)	<u>143,983</u>	<u>(2,304)</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>215,004</u>	<u>12,482</u>
CHANGE IN NET ASSETS	11,241,654	8,658,083
Net assets at beginning of year	<u>34,755,429</u>	<u>26,097,346</u>
NET ASSETS AT END OF YEAR	<u>\$ 45,997,083</u>	<u>\$ 34,755,429</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, 2022
(With Comparative Totals for 2021)

	No. of Positions	Year ended June 30,					Total	Total
		2022			2021			
		Regular Education	Special Education	Sub-total	Supporting Services Management and general	Total		
Personnel Services Costs:								
Administrative staff personnel	29	\$ 2,356,082	\$ 785,351	\$ 3,141,433	\$ 785,347	\$ 3,926,780	\$ 3,902,199	
Instructional personnel	154	9,384,230	1,725,670	11,109,900	14,358	11,124,258	8,809,001	
Non-instructional personnel	5	57,842	28,921	86,763	57,842	144,605	121,943	
Total salaries and wages	188	11,798,154	2,539,942	14,338,096	857,547	15,195,643	12,833,143	
Payroll taxes and employee benefits		2,965,124	750,028	3,715,152	558,849	4,274,001	4,127,632	
Professional development		153,819	31,194	185,013	9,089	194,102	117,942	
Legal fees		-	-	-	10,674	10,674	14,305	
Audit/accounting fees		-	-	-	43,186	43,186	40,599	
Professional services		2,014,784	335,081	2,349,865	247,807	2,597,672	2,036,442	
Student and staff recruitment		114,893	22,738	137,631	7,212	144,843	98,347	
Curriculum and classroom supplies		1,093,892	118,240	1,212,132	-	1,212,132	437,386	
Office expenses		269,987	62,992	332,979	23,309	356,288	66,532	
Technology		346,191	74,973	421,164	26,328	447,492	251,212	
Food service		360,852	39,005	399,857	-	399,857	142,637	
Student services		33,067	3,575	36,642	-	36,642	7,606	
Insurance		-	-	-	140,163	140,163	140,898	
Building and land rent		3,089,398	723,642	3,813,040	300,130	4,113,170	4,030,153	
Utilities		358,861	76,749	435,610	23,358	458,968	219,381	
Non-capitalized equipment and furnishings		143,118	30,469	173,587	9,676	183,263	147,695	
Repairs and maintenance		302,482	64,080	366,562	19,752	386,314	309,043	
Depreciation and amortization		1,302,904	162,864	1,465,768	162,864	1,628,632	1,390,798	
Interest expense		887,698	174,518	1,062,216	41,047	1,103,263	1,127,137	
Management fees		4,621,114	1,010,221	5,631,335	354,636	5,985,971	4,468,108	
Other		27,426	5,414	32,840	65,356	98,196	68,737	
		\$ 29,883,764	\$ 6,225,725	\$ 36,109,489	\$ 2,900,983	\$ 39,010,472	\$ 32,075,733	

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022
(With Comparative Totals for 2021)

	<u>Year ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 11,241,654	\$ 8,658,083
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	1,628,632	1,390,798
Bond premium amortization	(88,373)	(90,302)
Amortization of bond issuance costs included in interest expense	73,461	78,065
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	(2,759,967)	(448,402)
Prepaid expenses	136,162	(165,135)
Due from related parties	(334,646)	(851,124)
Accounts payable	(28,625)	118,079
Accrued expenses	(24,325)	35,347
Accrued payroll and benefits	176,708	572,181
Deferred revenue	433,592	15,149
Management fees due to charter management organization	909,230	(223,671)
Deferred lease liability	390,019	469,764
	<u>11,753,522</u>	<u>9,558,832</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	11,753,522	9,558,832
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(1,854,012)	(2,064,551)
Security deposits	(2,885)	(530,000)
Purchases of investments	(15,294,383)	(95,597)
	<u>(17,151,280)</u>	<u>(2,690,148)</u>
NET CASH USED FOR INVESTING ACTIVITIES	(17,151,280)	(2,690,148)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayments of bonds payable	(545,000)	(525,000)
	<u>(545,000)</u>	<u>(525,000)</u>
NET CASH USED FOR FINANCING ACTIVITIES	(545,000)	(525,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(5,942,758)	6,343,684
Cash and cash equivalents and restricted cash at beginning of year	<u>23,891,557</u>	<u>17,547,873</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 17,948,799</u>	<u>\$ 23,891,557</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2022
(With Comparative Totals for 2021)

	<u>Year ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	<u>\$ 1,035,252</u>	<u>\$ 1,054,323</u>
<u>NON-CASH OPERATING AND INVESTING ACTIVITIES</u>		
Purchases of property and equipment included in accounts payable	<u>\$ 55,006</u>	<u>\$ 137,642</u>
Reconciliation of cash and cash equivalents and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 17,723,799	\$ 23,666,557
Cash in escrow	<u>225,000</u>	<u>225,000</u>
	<u>\$ 17,948,799</u>	<u>\$ 23,891,557</u>

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

(With Comparative Totals for 2021)

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, January 2014 and March 2019, Bronx Excellence 1 was awarded a full-term, five-year charter renewal through July 31, 2024. 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 had the authority to operate through July 31, 2021. In March 2021, Bronx Excellence 2 was awarded a full-term, five-year charter renewal through July 31, 2026. 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 3 opened in September 2017 and has authority to operate through July 31, 2022. On November 12, 2021, Bronx Excellence 3 received a renewal for two years to align its renewal schedule with the other charters, through July 2024. Bronx Excellence 4 opened in September 2018 and has authority to operate through June 2023. Bronx Excellence 5 opened in September 2019 and has authority to operate through June 2024. 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, Bronx Excellence 3, Bronx Excellence 4 and Bronx Excellence 5 (collectively referred to as the “Charter School”). All intercompany balances and transactions have been eliminated in the accompanying financial statements.

Classification of net assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Charter School, the accounts of the Charter School are maintained in accordance with the principles of accounting for not-for-profit organizations. This is the procedure by which resources are classified for reporting purposes into net asset groups, established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by net asset group.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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

The assets, liabilities, activities, and net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees has discretionary control to use these in carrying on operations in accordance with the guidelines established by the Charter School.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had no net assets with donor restrictions at June 30, 2022 or 2021.

Revenue and support recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Charter School records substantially all revenues over time as follows:

Public school district revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns public school district revenue based on the approved per pupil tuition rate of the public-school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the Charter School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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

Rental assistance

Facilities rental assistance funding is provided by the New York City Dept of Education (NYCDOE) to qualifying charter schools located in the five boroughs of NYC. In order to receive rental assistance funding, a charter school must have commenced instruction or added grade levels in the 2014-15 school year or thereafter and go through a space request process with the NYCDOE. If NYCDOE is not able to provide adequate space, the charter school can become eligible for rental assistance. Rental assistance is calculated as the lesser of 30% of the per-pupil tuition rate for NYC times the number of students enrolled, or actual total rental costs. As rental assistance is based on the number of students enrolled, revenue is recognized throughout the year as educational programming is provided to students.

The following table summarizes contract balances at their respective statement of financial position dates:

	<u>June 30,</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Grants and contracts receivable	\$ 403,449	\$ 79,176	\$ 337,533

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

All donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position and amounted to \$498,523 and \$64,931 at June 30, 2022 and 2021, respectively. The Charter School received cost-reimbursement grants of approximately \$10,858,300 and \$506,500 that have not been recognized at June 30, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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

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.

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 \$225,000 at June 30, 2022 and 2021.

Investments

Investments consist of cash equivalents and are measured at fair value. Restricted investments consist of cash equivalents held for debt service and capitalized interest. The Charter School also invested into eight certificates of deposit with maturities ranging from three to twelve months.

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.

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, 2022 or 2021.

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 H), 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.

Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflected in operations.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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

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 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.

Deferred lease liability

The Charter School leases certain 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.

Tax exempt status

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2019 through June 30, 2022 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. 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.

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.

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$144,800 and \$98,000 for the years ended June 30, 2022 and 2021, respectively.

Comparatives for year ended June 30, 2021

The financial statements include certain prior year summarized comparative information in total but not by 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, 2021, from which the summarized information was derived.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

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

New accounting pronouncement - leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School’s financial position or results of operations.

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.

Reclassifications

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

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 20, 2022, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School’s main source of liquidity is its cash and investment accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of teaching, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a surplus budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School’s cash and shows positive cash generated by operations for fiscal year 2022 and 2021.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE B: LIQUIDITY AND AVAILABILITY, Cont'd

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2022 and 2021:

	June 30,	
	2022	2021
Cash and cash equivalents	\$ 17,723,799	\$ 23,666,557
Grants and contracts receivable	3,971,123	1,211,156
Investments	15,000,000	-
Due from related parties	2,072,886	1,738,240
Total financial assets available to management for general expenditures within one year	<u>\$ 38,767,808</u>	<u>\$ 26,615,953</u>

NOTE C: 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. In October 2021, an addendum to this agreement was signed extending the agreement through December 31, 2021 and increasing the fee to 15% of all public revenues received by the Charter School. The addendum has an effective date of July 1, 2021. In June 2022, an addendum to this agreement was signed extending this agreement through September 30, 2022 with no change to terms. The Charter School and Excellence intend to renew this agreement. The Charter School incurred fees of approximately \$5,986,000 and \$4,468,000 for the years ended June 30, 2022 and 2021, respectively.

At June 30, 2022 and 2021, approximately \$1,004,000 and \$95,000, respectively, of fees were accrued in management fees due to charter management organization on the accompanying statement of financial position.

Approximately \$890,000 and \$818,000 is due to the Charter School from Excellence for expenses that are to be reimbursed by Excellence after June 30, 2022 and 2021, respectively. Approximately \$998,000 and \$819,000 of grant funding is due from Excellence to the Charter School at June 30, 2022 and 2021, respectively. These amounts are included in due from related parties on the accompanying statement of financial position at June 30, 2022 and 2021. In addition, the Charter School has formalized sub-lease agreements for four facilities with Excellence. See Note D for more details.

Stamford Charter School for Excellence (“Stamford”) is an educational corporation that operates as a charter school in Stamford, Connecticut. Approximately \$185,000 is due to the Charter School from Stamford for expenses that are to be reimbursed by Stamford after June 30, 2022. Approximately \$101,000 is due to the Charter School from Stamford for expenses that are to be reimbursed by the Charter School subsequent to June 30, 2021. These amounts are included in due from related parties on the accompanying statement of financial position at June 30, 2022 and 2021.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE D: 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 was through June 30, 2021. The Charter School renegotiated a one-year lease, signed March 2022 covering the period July 1, 2021 through June 30, 2022. This lease has converted to a month-to-month arrangement and an extension of this lease agreement is under negotiation. Base rent for this lease extension is \$33,100 per month.

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. The Charter School's base rent for the year ended June 30, 2022 was approximately \$92,000 per month. The lease has escalating payments throughout the term.

In July 2019, the Charter School entered into a sub-lease agreement with a single member LLC related to Excellence for the facility for the Bronx Excellence 5 location. The term of the lease began July 1, 2019 and goes through June 30, 2029. The Charter School's base rent for the year ended June 30, 2022 was approximately \$95,200 per month. The lease has escalating payments throughout the term. The Charter School paid \$59,319 of security deposits relative to this agreement.

In August 2020, the Charter School entered into a sub-lease agreement with a single member LLC related to Excellence for the facility for the Bronx Excellence 4 location. The term of the lease began July 1, 2020 and goes through June 30, 2040. The base rent is approximately \$90,200 per month for the year ended June 30, 2022. The lease has escalating payments throughout the term. The Charter School paid \$530,000 of security deposits relative to this agreement.

Total rental expense was approximately \$4,113,000 and \$4,030,000 for the years ended June 30, 2022 and 2021, respectively.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 3,422,000
2024	3,506,000
2025	3,592,000
2026	3,680,000
2027	3,770,000
Thereafter	<u>27,876,000</u>
	<u>\$ 45,846,000</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE D: SCHOOL FACILITIES, Cont'd

The lease signed between a single member LLC related to Excellence and a third party for the Bronx Excellence 5 location is guaranteed by the Charter School. The future minimum payments on this agreement through June 2029 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 751,000
2024	770,000
2025	789,000
2026	809,000
2027	829,000
Thereafter	<u>1,721,000</u>
	<u>\$ 5,669,000</u>

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Land	\$ 914,772	\$ 914,772
Buildings	33,427,018	33,156,833
Furniture and fixtures	762,285	686,307
Computers and equipment	3,581,607	2,140,542
Software	12,661	12,661
Leasehold improvements	3,105,916	2,955,645
Construction in progress	<u>-</u>	<u>28,481</u>
	41,804,259	39,895,241
Less accumulated depreciation and amortization	<u>9,162,109</u>	<u>7,533,477</u>
	<u>\$ 32,642,150</u>	<u>\$ 32,361,764</u>

No provision for depreciation was made on construction in progress until such time as the relevant assets were completed and put into use in 2022. Total depreciation and amortization expense was \$1,628,632 and \$1,390,798 for the years ended June 30, 2022 and 2021, respectively.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE F: OPERATING LEASES AND COMMITMENTS

The Charter School leases office equipment under non-cancelable lease agreements at a monthly cost of approximately \$12,600 that will expire at various dates through December 2026.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2023	151,000
2024	111,000
2025	45,000
2026	26,000
2027	1,000
	<u>\$ 334,000</u>

NOTE G: 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, 2022

(With Comparative Totals for 2021)

NOTE G: 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, 2022 or 2021 :

Money market funds: Fair value equals cost.

Certificates of deposit: Fair values are calculated based on the exact runoff of principal for each CD in each category given its contractual maturity, discounted at an appropriate term rate.

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 investment assets measured at fair value on a recurring basis as of June 30, 2022 and 2021:

	<u>Assets at Fair Value</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2022:</u>				
Money market	\$ 3,292,545	\$ -	\$ -	\$ 3,292,545
Certificates of deposit	<u>-</u>	<u>15,000,000</u>	<u>-</u>	<u>15,000,000</u>
Total assets at fair value	<u>\$ 3,292,545</u>	<u>\$ 15,000,000</u>	<u>\$ -</u>	<u>\$ 18,292,545</u>
 <u>June 30, 2021:</u>				
Money market	<u>\$ 2,998,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,998,162</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.

NOTE H: 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.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE H: BONDS PAYABLE, Cont'd

Revenue bonds outstanding as of June 30, 2022 and 2021:

Year	Series A		Series B		Total
	Principal	Interest Rate	Principal	Interest Rate	
Bond payable	\$21,415,000	4% - 5.5%	\$ -	5%	\$ 21,415,000
Unamortized bond premium	1,387,714		-		1,387,714
Unamortized bond issuance costs	<u>(833,470)</u>		<u>-</u>		<u>(833,470)</u>
Balance at June 30, 2021	<u>\$21,969,244</u>		<u>\$ -</u>		<u>\$ 21,969,244</u>
2023	570,000	4%	\$ -		\$ 570,000
2024	590,000	4%	-		590,000
2025	620,000	4%	-		620,000
2026	655,000	4%	-		655,000
2027	690,000	4%	-		690,000
Thereafter	<u>17,745,000</u>	4% - 5.5%	<u>-</u>		<u>17,745,000</u>
Bond payable	20,870,000		-		20,870,000
Unamortized bond premium	1,299,341		-		1,299,341
Unamortized bond issuance costs	<u>(760,009)</u>		<u>-</u>		<u>(760,009)</u>
Balance at June 30, 2022	<u>\$21,409,332</u>		<u>\$ -</u>		<u>\$ 21,409,332</u>

Principal payments for the Series A bonds are due annually, as indicated, on April 1. Payments of \$545,000 and \$525,000 were made during the years ended June 30, 2022 and 2021 toward the Series A bonds, respectively.

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% in 2018. The bonds were subject to mandatory sinking fund installments beginning in 2016. The Series B Bonds were repaid prior to June 30, 2019.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE H: BONDS PAYABLE, Cont'd

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 31st 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, 2022 and 2021, the unexpended balance was \$78,949 and \$78,945, 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, 2022 and 2021.

Total issuance costs of approximately \$1,621,000 are being amortized over the life of the bonds. Amortization expense of \$73,461 and \$78,065 was recorded and is recognized in interest expense for the years ended June 30, 2022 and 2021, respectively. The Charter School incurred net interest expense of \$1,029,802 and \$1,049,072 for the years ended June 30, 2022 and 2021, respectively which is recognized in the statement of activities and changes in net assets.

NOTE I: 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 \$394,600 and \$390,100 for the years ended June 30, 2022 and 2021, respectively.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE J: 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 K: CONCENTRATIONS

At June 30, 2022, approximately 90% of grants and contracts receivable are due from the Federal government, relating to certain grants. For the year ended June 30, 2022, 80% 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, 2021, approximately 69% of grants and contracts receivables are due from the Federal government, relating to certain grants. For the year ended June 30, 2021, 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.

NOTE L: NET ASSETS

Net assets without donor restrictions are as follows:

	June 30,	
	<u>2022</u>	<u>2021</u>
Undesignated	\$ 36,304,265	\$ 25,902,909
Invested in property and equipment, net of related debt	<u>9,692,818</u>	<u>8,852,520</u>
	<u>\$ 45,997,083</u>	<u>\$ 34,755,429</u>

NOTE M: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2022

(With Comparative Totals for 2021)

NOTE N: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Charter School’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Charter School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2023.

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$3,275,453 and \$508,787 of revenue relative to ESSER grants during the years ended June 30, 2022 and 2021, respectively. The Charter School has \$10,693,400 of ESSER grants still available through September 30, 2024 as of June 30, 2022.

NOTE O: RENEWAL PROCESS

Bronx Excellence 4 is currently in the process of renewing its charter by the New York State Board of Regents. The charter currently expires July 31, 2023. The renewal process includes review by the 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. 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 Bronx Excellence 4 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, 2022, and have issued our report thereon dated October 20, 2022, 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, 2022, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 20, 2022

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF ACTIVITIES BY CHARTER

YEAR ENDED JUNE 30, 2022

	<u>Bronx Excellence 1</u>	<u>Bronx Excellence 2</u>	<u>Bronx Excellence 3</u>	<u>Bronx Excellence 4</u>	<u>Bronx Excellence 5</u>	<u>Total</u>
Revenue, gains and other support:						
Public school district:						
Resident student enrollment	\$ 13,552,959	\$ 6,733,810	\$ 7,439,153	\$ 4,981,613	\$ 3,803,796	\$ 36,511,331
Students with disabilities	1,189,747	623,374	474,294	562,663	579,745	3,429,823
Grants and contracts:						
State and local	62,305	25,373	29,615	17,903	11,177	146,373
Federal - Title and IDEA	636,558	281,570	328,087	266,363	257,735	1,770,313
Federal - other	1,624,364	582,298	614,584	475,945	492,068	3,789,259
Food service / Child nutrition program	666,128	-	-	-	-	666,128
NYC DoE Rental Assistance	-	625,282	1,102,107	1,082,200	914,306	3,723,895
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>17,732,061</u>	<u>8,871,707</u>	<u>9,987,840</u>	<u>7,386,687</u>	<u>6,058,827</u>	<u>50,037,122</u>
Expenses:						
Program:						
Regular education	12,840,891	4,987,535	4,810,834	4,017,601	3,226,903	29,883,764
Special education	2,386,080	973,266	1,285,165	1,053,918	527,296	6,225,725
Management and general	895,674	542,978	604,025	513,615	344,691	2,900,983
TOTAL OPERATING EXPENSES	<u>16,122,645</u>	<u>6,503,779</u>	<u>6,700,024</u>	<u>5,585,134</u>	<u>4,098,890</u>	<u>39,010,472</u>
SURPLUS FROM SCHOOL OPERATIONS	1,609,416	2,367,928	3,287,816	1,801,553	1,959,937	11,026,650
Support and other revenue:						
Contributions:						
Foundations	19,308	31,969	-	-	-	51,277
Corporations	5	-	-	-	-	5
Investment income	19,739	-	-	-	-	19,739
Miscellaneous income	143,983	-	-	-	-	143,983
TOTAL SUPPORT AND OTHER REVENUE	<u>183,035</u>	<u>31,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,004</u>
CHANGE IN NET ASSETS	1,792,451	2,399,897	3,287,816	1,801,553	1,959,937	11,241,654
Net assets at beginning of year	18,993,125	7,016,724	6,195,277	2,291,235	259,068	34,755,429
NET ASSETS AT END OF YEAR	<u>\$ 20,785,576</u>	<u>\$ 9,416,621</u>	<u>\$ 9,483,093</u>	<u>\$ 4,092,788</u>	<u>\$ 2,219,005</u>	<u>\$ 45,997,083</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 1

YEAR ENDED JUNE 30, 2022

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Sub-total	Management and general	
Personnel Services Costs:						
Administrative staff personnel	8	\$ 725,065	\$ 241,680	\$ 966,745	\$ 241,680	\$ 1,208,425
Instructional personnel	<u>67</u>	<u>4,740,907</u>	<u>830,920</u>	<u>5,571,827</u>	<u>4,821</u>	<u>5,576,648</u>
Total salaries and wages	75	5,465,972	1,072,600	6,538,572	246,501	6,785,073
Payroll taxes and employee benefits		1,213,232	272,809	1,486,041	163,895	1,649,936
Professional development		109,190	21,427	130,617	4,924	135,541
Legal fees		-	-	-	781	781
Audit/accounting fees		-	-	-	11,695	11,695
Professional services		1,075,139	165,923	1,241,062	111,360	1,352,422
Student and staff recruitment		46,165	7,788	53,953	1,431	55,384
Curriculum and classroom supplies		279,405	30,201	309,606	-	309,606
Office expenses		68,012	13,347	81,359	3,067	84,426
Technology		130,413	25,497	155,910	5,833	161,743
Food service		360,852	39,005	399,857	-	399,857
Student services		19,566	2,115	21,681	-	21,681
Insurance		-	-	-	63,097	63,097
Utilities		220,958	43,360	264,318	9,965	274,283
Non-capitalized equipment and furnishings		80,937	15,883	96,820	3,650	100,470
Repairs and maintenance		182,835	35,878	218,713	8,245	226,958
Depreciation and amortization		901,429	112,679	1,014,108	112,679	1,126,787
Interest expense		887,698	174,518	1,062,216	41,047	1,103,263
Management fees		1,772,259	347,775	2,120,034	79,925	2,199,959
Other		<u>26,829</u>	<u>5,275</u>	<u>32,104</u>	<u>27,579</u>	<u>59,683</u>
		<u>\$ 12,840,891</u>	<u>\$ 2,386,080</u>	<u>\$ 15,226,971</u>	<u>\$ 895,674</u>	<u>\$ 16,122,645</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 2

YEAR ENDED JUNE 30, 2022

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Sub-total	Management and general	
Personnel Services Costs:						
Administrative staff personnel	5	\$ 509,198	\$ 169,732	\$ 678,930	\$ 169,733	\$ 848,663
Instructional personnel	30	1,604,783	248,983	1,853,766	2,550	1,856,316
Non-instructional personnel	2	21,531	10,765	32,296	21,531	53,827
Total salaries and wages	37	2,135,512	429,480	2,564,992	193,814	2,758,806
Payroll taxes and employee benefits		547,558	123,579	671,137	90,634	761,771
Professional development		14,451	2,906	17,357	1,312	18,669
Legal fees		-	-	-	356	356
Audit/accounting fees		-	-	-	10,246	10,246
Professional services		329,080	53,235	382,315	51,893	434,208
Student and staff recruitment		22,816	4,147	26,963	1,640	28,603
Curriculum and classroom supplies		215,442	23,288	238,730	-	238,730
Office expenses		42,153	8,478	50,631	3,826	54,457
Technology		68,387	13,698	82,085	6,152	88,237
Student services		3,937	426	4,363	-	4,363
Insurance		-	-	-	21,654	21,654
Building and land rent		484,011	97,342	581,353	43,928	625,281
Utilities		64,649	13,002	77,651	5,867	83,518
Non-capitalized equipment and furnishings		15,229	3,063	18,292	1,382	19,674
Repairs and maintenance		64,317	12,935	77,252	5,837	83,089
Depreciation and amortization		123,537	15,442	138,979	15,442	154,421
Management fees		856,273	172,208	1,028,481	77,713	1,106,194
Other		183	37	220	11,282	11,502
		\$ 4,987,535	\$ 973,266	\$ 5,960,801	\$ 542,978	\$ 6,503,779

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 3

YEAR ENDED JUNE 30, 2022

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Sub-total	Management and general	
Personnel Services Costs:						
Administrative staff personnel	6	\$ 471,681	\$ 157,227	\$ 628,908	\$ 157,227	\$ 786,135
Instructional personnel	20	1,188,516	303,088	1,491,604	2,717	1,494,321
Non-instructional personnel	<u>1</u>	<u>11,541</u>	<u>5,771</u>	<u>17,312</u>	<u>11,541</u>	<u>28,853</u>
Total salaries and wages	27	1,671,738	466,086	2,137,824	171,485	2,309,309
Payroll taxes and employee benefits		510,386	159,829	670,215	123,482	793,697
Professional development		12,102	3,374	15,476	1,241	16,717
Legal fees		-	-	-	3,753	3,753
Audit/accounting fees		-	-	-	10,366	10,366
Professional services		316,707	71,264	387,971	43,788	431,759
Student and staff recruitment		17,756	4,845	22,601	1,758	24,359
Curriculum and classroom supplies		228,097	24,655	252,752	-	252,752
Office expenses		46,764	13,038	59,802	4,797	64,599
Technology		64,893	17,982	82,875	6,591	89,466
Student services		5,037	544	5,581	-	5,581
Insurance		-	-	-	23,640	23,640
Building and land rent		829,863	231,368	1,061,231	85,127	1,146,358
Utilities		70,576	19,677	90,253	7,240	97,493
Non-capitalized equipment and furnishings		19,058	5,313	24,371	1,955	26,326
Repairs and maintenance		50,766	14,154	64,920	5,207	70,127
Depreciation and amortization		107,876	13,485	121,361	13,485	134,846
Management fees		859,032	239,500	1,098,532	88,119	1,186,651
Other		<u>183</u>	<u>51</u>	<u>234</u>	<u>11,991</u>	<u>12,225</u>
		<u>\$ 4,810,834</u>	<u>\$ 1,285,165</u>	<u>\$ 6,095,999</u>	<u>\$ 604,025</u>	<u>\$ 6,700,024</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 4

YEAR ENDED JUNE 30, 2022

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Sub-total	Management and general	
Personnel Services Costs:						
Administrative staff personnel	5	\$ 395,405	\$ 131,801	\$ 527,206	\$ 131,801	\$ 659,007
Instructional personnel	20	1,046,201	254,505	1,300,706	2,366	1,303,072
Non-instructional personnel	2	24,770	12,385	37,155	24,770	61,925
Total salaries and wages	27	1,466,376	398,691	1,865,067	158,937	2,024,004
Payroll taxes and employee benefits		418,639	128,629	547,268	103,244	650,512
Professional development		4,899	1,332	6,231	531	6,762
Legal fees		-	-	-	5,567	5,567
Audit/accounting fees		-	-	-	5,533	5,533
Professional services		118,689	22,537	141,226	16,481	157,707
Student and staff recruitment		14,758	3,955	18,713	1,562	20,275
Curriculum and classroom supplies		174,087	18,817	192,904	-	192,904
Office expenses		88,977	24,192	113,169	9,644	122,813
Technology		40,674	10,981	51,655	4,357	56,012
Student services		3,724	403	4,127	-	4,127
Insurance		-	-	-	15,343	15,343
Building and land rent		965,278	262,449	1,227,727	104,624	1,332,351
Utilities		2,507	682	3,189	272	3,461
Non-capitalized equipment and furnishings		15,212	4,136	19,348	1,649	20,997
Repairs and maintenance		3,379	919	4,298	366	4,664
Depreciation and amortization		96,918	12,115	109,033	12,115	121,148
Management fees		603,362	164,047	767,409	65,397	832,806
Other		122	33	155	7,993	8,148
		<u>\$ 4,017,601</u>	<u>\$ 1,053,918</u>	<u>\$ 5,071,519</u>	<u>\$ 513,615</u>	<u>\$ 5,585,134</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 5

YEAR ENDED JUNE 30, 2022

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Sub-total	Management and general	
Personnel Services Costs:						
Administrative staff personnel	5	\$ 254,733	\$ 84,911	\$ 339,644	\$ 84,906	\$ 424,550
Instructional personnel	17	803,823	88,174	891,997	1,904	893,901
Total salaries and wages	22	1,058,556	173,085	1,231,641	86,810	1,318,451
Payroll taxes and employee benefits		275,309	65,182	340,491	77,594	418,085
Professional development		13,177	2,155	15,332	1,081	16,413
Legal fees		-	-	-	217	217
Audit/accounting fees		-	-	-	5,346	5,346
Professional services		175,169	22,122	197,291	24,285	221,576
Student and staff recruitment		13,398	2,003	15,401	821	16,222
Curriculum and classroom supplies		196,861	21,279	218,140	-	218,140
Office expenses		24,081	3,937	28,018	1,975	29,993
Technology		41,824	6,815	48,639	3,395	52,034
Student service		803	87	890	-	890
Insurance		-	-	-	16,429	16,429
Building and land rent		810,246	132,483	942,729	66,451	1,009,180
Utilities		171	28	199	14	213
Non-capitalized equipment and furnishings		12,682	2,074	14,756	1,040	15,796
Repairs and maintenance		1,185	194	1,379	97	1,476
Depreciation and amortization		73,144	9,143	82,287	9,143	91,430
Management fees		530,188	86,691	616,879	43,482	660,361
Other		109	18	127	6,511	6,638
		<u>\$ 3,226,903</u>	<u>\$ 527,296</u>	<u>\$ 3,754,199</u>	<u>\$ 344,691</u>	<u>\$ 4,098,890</u>