

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx

Independent Auditor's Report and Financial Statements

June 30, 2022 and 2021

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
June 30, 2022 and 2021

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Independent Auditor's Report

Board of Trustees
Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Bronx, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Storefront Academy Charter School dba Storefront Academy Charter School South Bronx, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Storefront Academy Charter School dba Storefront Academy Charter School South Bronx as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Storefront Academy Charter School dba Storefront Academy Charter School South Bronx, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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 Storefront Academy Charter School dba Storefront Academy Charter School South Bronx's ability to continue as a going concern within 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 Storefront Academy Charter School dba Storefront Academy Charter School South Bronx'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 Storefront Academy Charter School dba Storefront Academy Charter School South Bronx'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information within the statement of functional expenses and supplementary schedules are presented for purposes of additional analysis and are 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 accompanying supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2022, on our consideration of Storefront Academy Charter School dba Storefront Academy Charter School South Bronx'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Storefront Academy Charter School dba Storefront Academy Charter School South Bronx's 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 Storefront Academy Charter School dba Storefront Academy Charter School South Bronx's internal control over financial reporting and compliance.

FORVIS,LLP

New York, New York
November 1, 2022

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash	\$ 977,960	\$ 928,635
Contributions and government grants receivable	617,941	758,406
Prepaid expenses and other assets	<u>60,594</u>	<u>55,247</u>
Total current assets	1,656,495	1,742,288
Noncurrent Assets		
Restricted cash	150,156	125,130
Property and equipment, net	<u>1,298,629</u>	<u>876,767</u>
Total assets	<u><u>\$ 3,105,280</u></u>	<u><u>\$ 2,744,185</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 61,448	\$ 76,497
Accrued salaries and related liabilities	492,236	471,882
Notes payable	76,525	406,222
Deferred revenue	<u>70,000</u>	<u>106,443</u>
Total current liabilities	700,209	1,061,044
Noncurrent Liabilities		
Deferred rent expense	<u>391,728</u>	<u>397,453</u>
Total liabilities	1,091,937	1,458,497
Net Assets Without Donor Restrictions	<u>2,013,343</u>	<u>1,285,688</u>
Total liabilities and net assets	<u><u>\$ 3,105,280</u></u>	<u><u>\$ 2,744,185</u></u>

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Statements of Activities
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues and Other Support		
Per-pupil operating revenue - resident student enrollment	\$ 5,923,081	\$ 6,125,482
Per-pupil operating revenue - students with disabilities	1,045,946	683,850
New York City Department of Education (NYCDOE) rental assistance revenue	<u>1,151,194</u>	<u>1,075,001</u>
Total state and local per-pupil operating revenues	8,120,221	7,884,333
Government grants and contracts - federal	2,451,076	1,180,797
Government grants and contracts - state	33,446	-
Contributions	71,969	85,593
Special events	\$ 7,505	\$ 240
Less direct costs of special event	<u>(8,039)</u>	<u>-</u>
Interest	26	21
Forgiveness of loan	-	1,087,214
Other revenues	<u>13,644</u>	<u>-</u>
Total operating revenues and other support	<u>10,689,848</u>	<u>10,238,198</u>
Expenses		
Program services		
General education	5,952,416	5,229,942
Special education	<u>2,007,112</u>	<u>1,757,355</u>
Total program services	7,959,528	6,987,297
Supporting services		
Management and general	<u>2,002,665</u>	<u>1,963,454</u>
Total expenses	<u>9,962,193</u>	<u>8,950,751</u>
Change in Net Assets	727,655	1,287,447
Net Assets (Deficit) Without Donor Restrictions, Beginning of Year	<u>1,285,688</u>	<u>(1,759)</u>
Net Assets (Deficit) Without Donor Restrictions, End of Year	<u>\$ 2,013,343</u>	<u>\$ 1,285,688</u>

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Statement of Functional Expenses
Year Ended June 30, 2022

	** No. of Positions	Program Services			Supporting Services Management and General	Total
		General Education	Special Education	Total		
Personnel service costs						
Administrative personnel	22	\$ 721,883	\$ 202,189	\$ 924,072	\$ 1,010,308	\$ 1,934,380
Instructional personnel	55	2,551,654	957,233	3,508,887	-	3,508,887
Non-instructional personnel	10	-	-	-	455,476	455,476
Total personnel service costs	<u>87</u>	<u>3,273,537</u>	<u>1,159,422</u>	<u>4,432,959</u>	<u>1,465,784</u>	<u>5,898,743</u>
Payroll taxes and employee benefits		604,823	215,105	819,928	271,582	1,091,510
Legal fees		-	-	-	6,904	6,904
Audit fees		-	-	-	29,120	29,120
Professional fees		160,276	70,153	230,429	91,457	321,886
Repairs and maintenance		111,151	32,497	143,648	16,411	160,059
Curriculum and classroom		214,635	64,173	278,808	-	278,808
Student services		28,473	7,896	36,369	-	36,369
Food services		6,904	1,805	8,709	-	8,709
Staff development		18,336	5,075	23,411	2,541	25,952
Equipment and furnishings		14,065	4,177	18,242	2,114	20,356
Office expense		80,009	22,540	102,549	12,113	114,662
Building, land, rent, and lease		930,960	261,735	1,192,695	62,773	1,255,468
Utilities		36,118	10,664	46,782	2,462	49,244
Information technology		77,855	23,066	100,921	7,100	108,021
Marketing and recruiting		149,379	57,880	207,259	1,722	208,981
Insurance		49,674	15,813	65,487	7,852	73,339
Interest		-	-	-	9,503	9,503
Depreciation		<u>196,221</u>	<u>55,111</u>	<u>251,332</u>	<u>13,227</u>	<u>264,559</u>
Total expenses reported by function on the statements of activities		<u>\$ 5,952,416</u>	<u>\$ 2,007,112</u>	<u>\$ 7,959,528</u>	<u>\$ 2,002,665</u>	<u>\$ 9,962,193</u>

** Supplemental information

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Statement of Functional Expenses
Year Ended June 30, 2021

	** No. of Positions	Program Services			Supporting Services Management and General	Total
		General Education	Special Education	Total		
Personnel service costs						
Administrative personnel	25	\$ 820,767	\$ 168,285	\$ 989,052	\$ 901,384	\$ 1,890,436
Instructional personnel	55	2,283,046	1,013,058	3,296,104	-	3,296,104
Non-instructional personnel	10	-	-	-	462,057	462,057
Total personnel service costs	<u>90</u>	3,103,813	1,181,343	4,285,156	1,363,441	5,648,597
Payroll taxes and employee benefits		548,951	208,936	757,887	241,143	999,030
Legal fees		-	-	-	26,565	26,565
Audit fees		-	-	-	23,790	23,790
Professional fees		-	17,941	17,941	136,017	153,958
Repairs and maintenance		126,886	37,938	164,824	16,576	181,400
Curriculum and classroom		61,539	12,618	74,157	-	74,157
Student services		9,366	1,920	11,286	-	11,286
Food services		7,260	1,489	8,749	-	8,749
Staff development		22,558	6,745	29,303	2,947	32,250
Equipment and furnishings		6,874	2,055	8,929	898	9,827
Office expense		40,972	12,250	53,222	31,966	85,188
Building, land, rent, and lease		895,735	183,656	1,079,391	56,810	1,136,201
Utilities		18,666	3,827	22,493	1,184	23,677
Information technology		161,280	34,550	195,830	10,818	206,648
Marketing and recruiting		40,993	10,301	51,294	2,636	53,930
Insurance		42,416	12,541	54,957	5,345	60,302
Interest		-	-	-	30,666	30,666
Other expenses		-	-	-	3,606	3,606
Depreciation		142,633	29,245	171,878	9,046	180,924
Total expenses reported by function on the statements of activities		<u>\$ 5,229,942</u>	<u>\$ 1,757,355</u>	<u>\$ 6,987,297</u>	<u>\$ 1,963,454</u>	<u>\$ 8,950,751</u>

** Supplemental information

Storefront Academy Charter School
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Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ 727,655	\$ 1,287,447
Items not requiring (providing) operating cash flows		
Depreciation	264,559	180,924
Gain on forgiveness of loan	-	(1,087,214)
Noncash interest expense	-	11,392
Changes in		
Contributions and government grants receivable	140,465	(300,680)
Prepaid expenses and other assets	(5,347)	41,467
Accounts payable and accrued expenses	(15,049)	(83,468)
Accrued salaries and related liabilities	20,354	15,821
Due to Department of Education	(36,443)	89,321
Deferred rent expense	(5,725)	55,524
Net cash provided by operating activities	<u>1,090,469</u>	<u>210,534</u>
Investing Activities		
Purchase of property and equipment	<u>(686,421)</u>	<u>(472,010)</u>
Net cash used in investing activities	<u>(686,421)</u>	<u>(472,010)</u>
Financing Activities		
Payments made on long-term legal settlement	-	(183,030)
Payments on note payable	<u>(329,697)</u>	<u>(120,000)</u>
Net cash used in financing activities	<u>(329,697)</u>	<u>(303,030)</u>
Change in Cash and Restricted Cash	74,351	(564,506)
Cash and Restricted Cash, Beginning of Year	<u>1,053,765</u>	<u>1,618,271</u>
Cash and Restricted Cash, End of Year	<u><u>\$ 1,128,116</u></u>	<u><u>\$ 1,053,765</u></u>
Cash and Restricted Cash Consist of:		
Cash	\$ 977,960	\$ 928,635
Restricted Cash	<u>150,156</u>	<u>125,130</u>
	<u><u>\$ 1,128,116</u></u>	<u><u>\$ 1,053,765</u></u>
Supplemental Cash Flows Information		
Cash paid for interest	\$ 9,503	\$ 19,274

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2022 and 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Storefront Academy Charter School (the School) is an educational corporation that operates as a charter school in the Borough of Bronx, New York. On December 2, 2014, the Board of Regents and the Board of Trustees of the State University of New York, on behalf of the State Education Department (NYSED), granted the School a charter valid for a term of five years (expiring June 30, 2020) and renewable upon expiration. The School was granted a charter for grades K through 5. On July 31, 2020, the School's charter was renewed by the New York State Board of Regents through July 31, 2023.

The School has obtained a dba effective September 22, 2015 under the name Storefront Academy Charter School South Bronx.

The School was organized to provide children of varied academic strengths quality educational opportunities, preparing them academically, socially, and emotionally to become critical thinkers, high-achieving students, and well-rounded individuals. Working in partnership with families and community members, the School instills a powerful sense of self, and gives its students the tools to own the future and create meaningful adult lives. During fiscal years 2022 and 2021, the School operated classes for approximately 350 and 380 full-time equivalent general instruction students, respectively, of which 60 and 50 were special education students, respectively.

On February 11, 2020, 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 School. Storefront Academy Charter School Harlem (SACSH) operates under the same management and board of trustees as the School. During fiscal years 2022 and 2021, SACSH operated classes for approximately 71 and 62 full-time equivalent general instruction students, respectively, of which 18 and 14 were special education students, respectively. SACSH was issued a charter which expires on July 31, 2024.

The School is supported primarily by state and local per-pupil operating revenues.

Use of Estimates

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 revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Restricted Cash

The School considers all liquid investments with original maturities of three months or less to be cash equivalents. As of June 30, 2022 and 2021, cash equivalents consisted primarily of money market accounts. Deposit accounts restricted externally by regulators are considered to be restricted cash.

Storefront Academy Charter School
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Notes to Financial Statements
June 30, 2022 and 2021

As of June 30, 2022, the School's cash accounts exceeded federally insured limits by approximately \$965,000.

Cash Reserves

The School maintains cash in an account, pursuant to its Charter Agreements, to pay off expenses in the event of dissolution of the School.

Grants and Contracts Receivable

Revenues from government grants and contracts to which the School is entitled are recognized mostly on student enrollment. Some grants are provided for specific educational endeavors, which are not based on student enrollment, and are recorded when related expenditures are incurred by the School. Receivables are recorded when the revenue is earned. Bad debt is charged if the receivable is determined to be uncollectible based on periodic review by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year-end. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of June 30, 2022 and 2021, the School had no allowance for doubtful accounts.

Property and Equipment

Property and equipment acquisitions over \$1,000 are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Leasehold improvements	10 years
Furniture and fixtures	5–7 years
Equipment	5 years
Computers	3 years
Library books	15 years

Long-Lived Asset Impairment

The School evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2022 and 2021.

Storefront Academy Charter School
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Notes to Financial Statements
June 30, 2022 and 2021

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or grantor restrictions.

As of June 30, 2022 and 2021, all net assets are without donor restrictions and are available to be used for operations.

State and Local Per-Pupil Revenue

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

Contributions

Contributions are provided to the School either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the School overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

Storefront Academy Charter School
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Notes to Financial Statements
June 30, 2022 and 2021

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue without donor restrictions.

All contributions receivable as of June 30, 2022 and 2021 were without donor restrictions.

As of June 30, 2022 and 2021, \$70,000 and \$106,443 of proceeds received from conditional contributions were recorded as a liability as the conditions had not been met, respectively.

Government Grants

Support funded by grants is recognized as the School meets the conditions prescribed by the grant agreement, performs the contracted services, or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Leases

Leases are classified as operating or capital leases in accordance with the terms of the underlying agreements. Operating lease payments are charged to equipment and auto leases expense. Operating lease expense is recorded on the straight-line basis over the life of the lease, unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense. In 2022 and 2021, all leases were classified as operating leases.

Income Taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the School is subject to federal income tax on any unrelated business taxable income. The School files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program services, management and general, and fundraising categories based on time spent, and staffing allocations to the main functional areas of the School: general education, special education, and management/general.

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2022 and 2021

Note 2: Conditional Grants and Contributions

A portion of the School's revenue is derived from cost-reimbursable grants, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific grant provisions. The School has the following conditional grants as of June 30, 2022:

<u>Grant</u>	<u>Term</u>	<u>Grant Amount</u>	<u>Amount Recognized or Forfeited</u>	<u>Amount Outstanding</u>
Government grants	Through 2025	<u>\$ 785,796</u>	<u>\$ 711,171</u>	<u>\$ 74,625</u>

Note 3: Property and Equipment

Property and equipment as of June 30 consist of:

	<u>2022</u>	<u>2021</u>
Leasehold improvement	\$ 561,608	\$ 282,926
Furniture and fixtures	384,225	362,370
Equipment	442,401	390,698
Computers	297,666	265,484
Library books	445,999	-
Construction in progress	<u>-</u>	<u>144,000</u>
	2,131,899	1,445,478
Accumulated depreciation	<u>(833,270)</u>	<u>(568,711)</u>
	<u>\$ 1,298,629</u>	<u>\$ 876,767</u>

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx

Notes to Financial Statements

June 30, 2022 and 2021

Note 4: Operating Leases

In March 2018, the School began leasing space located at Jackson Avenue. In May 2019, the lease was amended to include additional space. The lease is set to expire June 30, 2028 and contains a renewal option for five years. Minimum amounts to be paid under the terms of the lease are as follows:

2023	\$ 821,220
2024	841,749
2025	862,797
2026	884,373
2027	906,480
Thereafter	<u>923,364</u>
Total	<u>\$ 5,239,983</u>

Additionally, in May 2019, the School agreed to lease additional space, commencing July 2019. The lease was amended in December 2019 to adjust the lease payments. The lease was set to expire June 30, 2022 but was renewed through 2025. Minimum amounts to be paid under the terms of the lease are as follows:

2023	\$ 435,000
2024	485,000
2025	<u>535,000</u>
	<u>\$ 1,455,000</u>

During the fiscal year 2021, the School signed two leases for a commercial unit and community facility unit located at Pontiac Place, Bronx, NY. The leases commenced on August 1, 2021 and expire June 30, 2026. The leases contain a renewal option for five years. Minimum amounts to be paid under the terms of the lease are as follows:

2023	\$ 126,000
2024	132,300
2025	138,912
2026	<u>145,860</u>
	<u>\$ 543,072</u>

Rent expense for the years ended June 30, 2022 and 2021 was \$1,255,468 and \$813,523, respectively.

Storefront Academy Charter School
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Notes to Financial Statements
June 30, 2022 and 2021

Note 5: Notes Payable

In February 2018, Storefront Academy Harlem extended a \$275,000 unsecured, interest-free loan to the School with repayment due on June 30, 2019. In April 2018, the loan was amended to increase the note by an additional \$650,000 and to include interest at 3% on amounts outstanding. In addition, the loan repayment terms were amended for repayments to begin on January 1, 2019.

In May 2019, the loan was amended for a second time to combine the amounts advanced of \$650,000 and the accrued interest outstanding as of that date of \$18,380, into one new loan payable of \$668,380. Interest was charged at 3% on amounts outstanding. The School made monthly repayments of principal and interest amount of approximately \$11,600. The note was set to mature with a balloon payment in February 2021, but the School renegotiated to pay the balance in 2023. The amount outstanding as of June 30, 2022 and 2021 was \$76,525 and \$406,222, respectively.

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. On April 7, 2020, the School received a loan in the amount of \$1,075,822 pursuant to the Paycheck Protection Program. The School has elected to account for the funding as a loan in accordance with Accounting Standards Codification (ASC) Topic 470, *Debt*. The loan had a fixed interest rate of 1% per year. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to any gain recognized. On May 28, 2021, the Small Business Administration forgave the balance of the loan.

Note 6: Pension and Other Postretirement Benefit Plans

Employees of the School are eligible to participate in the Storefront Academy Harlem 403(b) Thrift Plan administered by Storefront Academy Harlem. The Board of Trustees annually determines the amount, if any, of the School's contributions to the plan. The School did not make a discretionary contribution to the plan for the years ended June 30, 2022 and 2021.

Note 7: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Grants and Contracts Subject to Audits

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost 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.

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2022 and 2021

Operating Revenue

The School obtained approximately 99% and 89% of its operating revenues through its charters from New York State for the years ended June 30, 2022 and 2021, respectively.

Note 8: Liquidity and Availability

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

	<u>2022</u>	<u>2021</u>
Current financial assets at year-end		
Cash	\$ 977,960	\$ 928,635
Contributions and government grants receivable	<u>617,941</u>	<u>758,406</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,595,901</u>	<u>\$ 1,687,041</u>

The financial assets of the School without donor restrictions or restricted by state laws are available for general expenditures. As part of liquidity management, the School invests cash in excess of daily requirements in cash equivalents. During the years ended June 30, 2022 and 2021, the level of liquidity and reserves was managed within the policy requirements.

Note 9: Subsequent Events

Subsequent events have been evaluated through November 1, 2022, which is the date the financial statements were available to be issued.

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2022 and 2021

Note 10: Future Changes in Accounting Principles

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021. The School is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have an impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Supplementary Schedules

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Schedule of Activities by Location
Year Ended June 30, 2022

	Harlem	South Bronx	Total
Revenues and Other Support			
Per-pupil operating revenue - resident student enrollment	\$ 1,202,106	\$ 4,720,975	\$ 5,923,081
Per-pupil operating revenue - students with disabilities	346,597	699,349	1,045,946
New York City Department of Education (NYCDOE) rental assistance revenue	<u>350,000</u>	<u>801,194</u>	<u>1,151,194</u>
Total state and local per-pupil operating revenues	1,898,703	6,221,518	8,120,221
Government grants and contracts - federal	802,913	1,648,163	2,451,076
Government grants and contracts - state	33,446	-	33,446
Contributions	6,871	65,098	71,969
Special events	\$ 2,341	\$ 5,164	\$ 7,505
Less direct costs of special event	<u>(2,109)</u>	<u>(5,930)</u>	<u>(8,039)</u>
Interest	-	26	26
Other revenues	<u>2</u>	<u>13,642</u>	<u>13,644</u>
Total operating revenues and other support	<u>2,742,167</u>	<u>7,947,681</u>	<u>10,689,848</u>
Expenses			
Program services			
General education	1,418,518	4,533,898	5,952,416
Special education	<u>702,237</u>	<u>1,304,875</u>	<u>2,007,112</u>
Total program services	2,120,755	5,838,773	7,959,528
Supporting services			
Management and general	<u>582,498</u>	<u>1,420,167</u>	<u>2,002,665</u>
Total expenses	<u>2,703,253</u>	<u>7,258,940</u>	<u>9,962,193</u>
Change in Net Assets	38,914	688,741	727,655
Net Assets (Deficit) Without Donor Restrictions, Beginning of Year	<u>(482,131)</u>	<u>1,767,819</u>	<u>1,285,688</u>
Net Assets (Deficit) Without Donor Restrictions, End of Year	<u><u>\$ (443,217)</u></u>	<u><u>\$ 2,456,560</u></u>	<u><u>\$ 2,013,343</u></u>

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Schedule of Functional Expenses – Harlem
Year Ended June 30, 2022

	No. of Positions	Program Services			Supporting Services Management and General	Total
		General Education	Special Education	Total		
Personnel service costs						
Administrative personnel	6	\$ 162,132	\$ 69,959	\$ 232,091	\$ 275,105	\$ 507,196
Instructional personnel	13	516,767	297,606	814,373	-	814,373
Non-instructional personnel	3	-	-	-	137,871	137,871
Total personnel service costs	<u>22</u>	678,899	367,565	1,046,464	412,976	1,459,440
Payroll taxes and employee benefits		129,195	69,948	199,143	78,589	277,732
Legal fees		-	-	-	1,105	1,105
Audit fees		-	-	-	14,560	14,560
Professional fees		41,681	21,406	63,087	33,318	96,405
Repairs and maintenance		33,045	13,528	46,573	7,142	53,715
Curriculum and classroom		68,987	29,766	98,753	-	98,753
Student services		5,991	2,585	8,576	-	8,576
Food services		893	385	1,278	-	1,278
Staff development		3,737	1,530	5,267	809	6,076
Equipment and furnishings		4,564	1,869	6,433	987	7,420
Office expense		18,666	7,642	26,308	4,035	30,343
Building, land, rent, and lease		214,144	92,401	306,545	16,134	322,679
Utilities		10,918	4,711	15,629	822	16,451
Information technology		24,639	10,432	35,071	3,129	38,200
Marketing and recruiting		115,855	49,909	165,764	801	166,565
Insurance		22,456	9,208	31,664	4,713	36,377
Depreciation		44,848	19,352	64,200	3,378	67,578
Total expenses reported by function on the statements of activities		<u>\$ 1,418,518</u>	<u>\$ 702,237</u>	<u>\$ 2,120,755</u>	<u>\$ 582,498</u>	<u>\$ 2,703,253</u>

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Schedule of Functional Expenses – South Bronx
Year Ended June 30, 2022

	No. of Positions	Program Services			Supporting Services	Total
		General Education	Special Education	Total	Management and General	
Personnel service costs						
Administrative personnel	16	\$ 559,751	\$ 132,230	\$ 691,981	\$ 735,203	\$ 1,427,184
Instructional personnel	42	2,034,887	659,627	2,694,514	-	2,694,514
Non-instructional personnel	7	-	-	-	317,605	317,605
Total personnel service costs	<u>65</u>	2,594,638	791,857	3,386,495	1,052,808	4,439,303
Payroll taxes and employee benefits		475,628	145,157	620,785	192,993	813,778
Legal fees		-	-	-	5,799	5,799
Audit fees		-	-	-	14,560	14,560
Professional fees		118,595	48,747	167,342	58,139	225,481
Repairs and maintenance		78,106	18,969	97,075	9,269	106,344
Curriculum and classroom		145,648	34,407	180,055	-	180,055
Student services		22,482	5,311	27,793	-	27,793
Food services		6,011	1,420	7,431	-	7,431
Staff development		14,599	3,545	18,144	1,732	19,876
Equipment and furnishings		9,501	2,308	11,809	1,127	12,936
Office expense		61,343	14,898	76,241	8,078	84,319
Building, land, rent, and lease		716,816	169,334	886,150	46,639	932,789
Utilities		25,200	5,953	31,153	1,640	32,793
Information technology		53,216	12,634	65,850	3,971	69,821
Marketing and recruiting		33,524	7,971	41,495	921	42,416
Insurance		27,218	6,605	33,823	3,139	36,962
Interest		-	-	-	9,503	9,503
Depreciation		151,373	35,759	187,132	9,849	196,981
Total expenses reported by function on the statements of activities		<u>\$ 4,533,898</u>	<u>\$ 1,304,875</u>	<u>\$ 5,838,773</u>	<u>\$ 1,420,167</u>	<u>\$ 7,258,940</u>

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*

Independent Auditor's Report

Board of Trustees
Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Bronx, New York

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 Storefront Academy Charter School dba Storefront Academy Charter School South Bronx, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, 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 November 1, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Storefront Academy Charter School dba Storefront Academy Charter School South Bronx'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 Storefront Academy Charter School dba Storefront Academy Charter School South Bronx's internal control. Accordingly, we do not express an opinion on the effectiveness of Storefront Academy Charter School dba Storefront Academy Charter School South Bronx'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 or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Storefront Academy Charter School dba Storefront Academy Charter School South Bronx'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 financial statements. 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*.

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Storefront Academy Charter School dba Storefront Academy Charter School South Bronx's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Storefront Academy Charter School dba Storefront Academy Charter School South Bronx's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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.

FORVIS,LLP

New York, New York
November 1, 2022

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Schedule of Findings and Responses
Year Ended June 30, 2022

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2022-001	<p><i>Segregation of Duties</i></p> <p>Criteria or Specific Requirement</p> <p>The accounting functions should be properly segregated to maintain proper internal controls over financial reporting.</p> <p>Condition</p> <p>The current staff size of the School does not always allow for the proper segregation of duties related to cash disbursements and payroll.</p> <p>Effect</p> <p>Administrative staff has the ability to misappropriate assets with limited supervision.</p> <p>Cause</p> <p>The School has two accountants performing multiple tasks.</p> <p>Recommendation</p> <p>We recommended that the School establish compensating controls in each area described above.</p> <p>Views of Responsible Officials and Planned Corrective Actions</p> <p>Due to the size of the School, procedures have been put in place to include members of the board in a review capacity to detect any misappropriation of assets in a timely manner.</p>

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

Reference Number	Summary of Finding	Status
2021-001	<i>Segregation of Duties</i> The accounting functions should be properly segregated to maintain proper internal controls over financial reporting.	Unresolved (2022-001)

Board of Trustees and Management
Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Bronx, New York

In planning and performing our audit of the financial statements of Storefront Academy Charter School dba Storefront Academy Charter School South Bronx (the School) as of and for the year ended June 30, 2022, 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, we considered the 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiencies in internal control that we consider to be a significant deficiencies.

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 School's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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.

We observed the following matters that we consider to be significant deficiencies.

Significant Deficiencies

Segregation of Duties

Management is responsible for establishing and maintaining effective internal control over financial reporting. Certain individuals within the School have incompatible duties in certain financial reporting transaction cycles. Duties in these transaction cycles are not adequately segregated to safeguard the School's assets and ensure correct financial reporting. Management believes they have implemented compensating controls to help mitigate the risks of material misstatement.

The following is a summary of incompatible duties we identified. The Board and management should evaluate the costs versus benefits of further segregating these duties or adding monitoring or other compensating controls to reduce the associated risk.

Cash Disbursements and Payroll Cycle

The Director of Finance and Finance Associate have access, recording and/or monitoring duties within the cash disbursements and payroll cycles for which oversight controls occur after the actual disbursements occur or the issuance of payroll. The reviews which occur at month-end are designed to be detective in nature but not preventative with respect to errors and/or fraud occurring. We recommend these oversight controls continue to be performed with precision and on a timely basis to minimize the associated risks.

Journal Entries

The Director of Finance is currently the only employee recording journal entries. There is no detailed review or approval over journal entries posted. We recommend that a member from the Board of Trustees review a printout of journal entries posted on a monthly basis with the supporting documentation and sign off on them as appropriate, indicating review.

We observed matters that we consider to be deficiencies that we communicated to management orally.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

FORVIS,LLP

New York, New York
November 1, 2022