Independent Auditor's Reports and Financial Statements

June 30, 2023 and 2022

June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 (*Government Auditing Standards*). 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 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.

Emphasis of Matter

As described in *Note 4* to the financial statements, in 2023, Storefront Academy Charter School dba Storefront Academy Charter School South Bronx adopted new accounting guidance for accounting for leases. Our opinion is not modified with respect to this matter.

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.



Board of Trustees Storefront Academy Charter School dba Storefront Academy Charter School South Bronx Page 2

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 GAAS. In our opinion,

Board of Trustees Storefront Academy Charter School dba Storefront Academy Charter School South Bronx Page 3

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 December 21, 2023, 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 December 21, 2023

Statements of Financial Position June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash	\$ 953,370	\$ 977,960
Contributions and government grants receivable	372,105	617,941
Prepaid expenses and other assets	46,143	60,594
Total current assets	1,371,618	1,656,495
Noncurrent Assets		
Restricted cash	150,185	150,156
Property and equipment, net	1,098,727	1,298,629
Right-of-use asset operating lease	5,094,712	
Total assets	\$ 7,715,242	\$ 3,105,280
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 140,974	\$ 61,448
Accrued salaries and related liabilities	379,863	492,236
Notes payable	-	76,525
Deferred revenue	-	70,000
Operating lease liability - current portion	1,333,034	
Total current liabilities	1,853,871	700,209
Noncurrent Liabilities		
Deferred rent expense	-	391,728
Operating lease liability	4,194,720	
Total liabilities	6,048,591	1,091,937
Net Assets Without Donor Restrictions	1,666,651	2,013,343
Total liabilities and net assets	\$ 7,715,242	\$ 3,105,280

Statements of Activities Years Ended June 30, 2023 and 2022

		2023	2022		
Revenues and Other Support					
Per-pupil operating revenue - resident student enrollment		\$ 5,321,642		\$ 5,923,081	
Per-pupil operating revenue - students with disabilities		942,398		1,045,946	
New York City Department of Education					
(NYCDOE) rental assistance revenue		1,230,943		1,151,194	
Total state and local per-pupil operating revenues		7,494,983		8,120,221	
Government grants and contracts - federal		1,399,763		2,451,076	
Government grants and contracts - state		1,000		33,446	
Contributions		206,806		71,969	
Special events	\$ 5,944		\$ 7,505		
Less direct costs of special event		5,944	(8,039)	(534)	
Interest		30		26	
Other revenues		59,454		13,644	
Total operating revenues and other support		9,167,980		10,689,848	
Expenses					
Program services					
General education		5,716,193		5,952,416	
Special education		1,826,728		2,007,112	
Total program services		7,542,921		7,959,528	
Supporting services					
Management and general		1,971,751		2,002,665	
Total expenses		9,514,672		9,962,193	
Change in Net Assets		(346,692)		727,655	
Net Assets (Deficit) Without Donor Restrictions, Beginning of Year		2,013,343		1,285,688	
Net Assets (Deficit) Without Donor Restrictions, End of Year		\$ 1,666,651		\$ 2,013,343	

Statement of Functional Expenses Year Ended June 30, 2023

	**		Program Services		Supporting Services	
	No. of	General	Special		Management	
	Positions	Education	Education	Total	and General	Total
Personnel service costs						
Administrative personnel	21	\$ 583,820	\$ 163,471	\$ 747,291	\$ 911,341	\$ 1,658,632
Instructional personnel	32	1,991,427	735,669	2,727,096	-	2,727,096
Non-instructional personnel	10				389,254	389,254
Total personnel service costs	63	2,575,247	899,140	3,474,387	1,300,595	4,774,982
Payroll taxes and employee benefits		517,704	181,492	699,196	263,016	962,212
Legal fees		-	-	-	30,744	30,744
Audit fees		-	-	-	45,416	45,416
Professional fees		691,245	197,122	888,367	66,865	955,232
Repairs and maintenance		39,103	10,868	49,971	5,261	55,232
Curriculum and classroom		131,321	36,841	168,162	-	168,162
Student services		140,292	39,924	180,216	-	180,216
Food services		4,934	1,362	6,296	-	6,296
Staff development		67,237	18,864	86,101	8,991	95,092
Equipment and furnishings		15,909	4,521	20,430	2,109	22,539
Office expense		59,472	16,770	76,242	7,926	84,168
Building, land, rent, and lease		972,274	276,742	1,249,016	174,523	1,423,539
Utilities		40,224	11,518	51,742	5,306	57,048
Information technology		130,735	37,002	167,737	17,382	185,119
Marketing and recruiting		68,150	20,106	88,256	8,803	97,059
Insurance		54,952	16,300	71,252	7,070	78,322
Depreciation		206,080	57,800	263,880	27,564	291,444
Interest expense		1,314	356	1,670	180	1,850
Total expenses reported by function on the						
statements of activities		\$ 5,716,193	\$ 1,826,728	\$ 7,542,921	\$ 1,971,751	\$ 9,514,672

^{**} Supplemental information

See Notes to Financial Statements

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Statement of Functional Expenses Year Ended June 30, 2022

	**		Program Services		Supporting Services	
	No. of	General	Special		Management	
	Positions	Education	Education	Total	and General	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	87	3,273,537	1,159,422	4,432,959	1,465,784	5,898,743
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		196,221	55,111	251,332	13,227	264,559
Total expenses reported by function on the						
statements of activities		\$ 5,952,416	\$ 2,007,112	\$ 7,959,528	\$ 2,002,665	\$ 9,962,193

^{**} Supplemental information

See Notes to Financial Statements 7

Statements of Cash Flows Years Ended June 30, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	\$ (346,692)	\$ 727,655
Items not requiring (providing) operating cash flows	Ψ (510,072)	Ψ 727,033
Depreciation	291,444	264,559
Noncash operating lease expense	1,261,941	201,337
Changes in	1,201,711	
Contributions and government grants receivable	245,836	140,465
Prepaid expenses and other assets	14,451	(5,347)
Accounts payable and accrued expenses	79,526	(15,049)
Accrued salaries and related liabilities	(112,373)	20,354
Due to Department of Education	(70,000)	(36,443)
Deferred rent expense	-	(5,725)
Change in lease liability	(1,220,627)	(3,723)
Change in lease majinty	(1,220,027)	
Net cash provided by operating activities	143,506	1,090,469
Investing Activities		
Purchase of property and equipment	(91,542)	(686,421)
Net cash used in investing activities	(91,542)	(686,421)
Net eash used in investing activities	(71,342)	(000,421)
Financing Activities		
Payments on note payable	(76,525)	(329,697)
1 dylinents on note payable	(10,323)	(32),0)1)
Net cash used in financing activities	(76,525)	(329,697)
Change in Cash and Restricted Cash	(24,561)	74,351
Cash and Restricted Cash, Beginning of Year	1,128,116_	1,053,765
Cash and Restricted Cash, End of Year	\$ 1,103,555	\$ 1,128,116
		
Cash and Restricted Cash Consist of:		
Cash	\$ 953,370	\$ 977,960
Restricted Cash	150,185	150,156
	\$ 1,103,555	\$ 1,128,116
Supplemental Cash Flows Information		
Cash paid for interest	\$ 1,850	\$ 9,503
ROU assets obtained in	,000	- ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
exchange for new operating lease liabilities	17,398	_
	1.,000	

Notes to Financial Statements
June 30, 2023 and 2022

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, 2025.

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 2023 and 2022, the School operated classes for approximately 302 and 350 full-time equivalent general instruction students, respectively, of which 51 and 60 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 2023 and 2022, SACSH operated classes for approximately 79 and 71 full-time equivalent general instruction students, respectively, of which 13 and 18 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, 2023 and 2022, cash equivalents consisted primarily of money market accounts. Deposit accounts restricted externally by regulators are considered to be restricted cash.

Notes to Financial Statements June 30, 2023 and 2022

As of June 30, 2023, the School's cash accounts exceeded federally insured limits by approximately \$872,000.

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, 2023 and 2022, 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 finance 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, 2023 and 2022.

Notes to Financial Statements June 30, 2023 and 2022

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, 2023 and 2022, 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
Conditional gifts, with or without restriction	
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
Unconditional gifts, with or without restriction	
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.

Notes to Financial Statements June 30, 2023 and 2022

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, 2023 and 2022 were without donor restrictions.

As of June 30, 2023 and 2022, \$0 and \$70,000 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.

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.

Notes to Financial Statements June 30, 2023 and 2022

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, 2023:

		Amount					
Grant	Term	Grant Amount			gnized rfeited		Amount tstanding
Summer Boost	July-August 2023	\$	280,000	\$		\$	280,000

Note 3: Property and Equipment

Property and equipment as of June 30 consist of:

	2023		2022		
Leasehold improvement	\$	598,188	\$	561,608	
Furniture and fixtures		388,367		384,225	
Equipment		452,890		442,401	
Computers		337,997		297,666	
Library books		445,999		445,999	
		2,223,441		2,131,899	
Accumulated depreciation		(1,124,714)		(833,270)	
	\$	1,098,727	\$	1,298,629	

Notes to Financial Statements June 30, 2023 and 2022

Note 4: Leases

Changes in Accounting Principles

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, FASB issued ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under Accounting Standards Codification (ASC) 840 option.

The School adopted Topic 842 on July 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The School elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification, or initial direct costs for existing or expired leases prior to the effective date. The School may have lease agreements with nonlease components that relate to the lease components. The School elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the School elected to keep short-term leases with an initial term of 12 months or less off the statements of financial position. The School did not elect the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$6,339,255 and \$6,730,983, respectively, while the accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. As part of adopting the standard, previously recognized liabilities for deferred rent were reclassified as a component of the ROU assets. The standard did not significantly affect the statements of activities, functional expenses or cash flows.

The cumulative effect of the changes made to the statements of financial position for the adoption of this standard was as follows:

		June 30, 2022 as Reported		ASC 842 Adjustment July 1, 2022		July 1, 2022 as Adjusted	
Assets Right-of-use assets - operating leases (A)	\$	-	\$	6,339,255	\$	6,339,255	
Liabilities Deferred rent (B) Operating lease liabilities (C)		391,728		(391,728) 6,730,983		6,730,983	

Notes to Financial Statements June 30, 2023 and 2022

- (A) The adjustment represents the capitalization of right-of-use assets operating leases and the reclassification of deferred rent, offset by the reclassification of straight-line rent accruals.
- (B) The adjustment represents the reclassification of straight-line rent accruals to right-of-use assets operating leases.
- (C) The adjustment represents the recognition of operating lease liabilities.

Accounting Policies

The School determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The School determines lease classification as operating or finance at the lease commencement date.

The School combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The School has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the School is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The School has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The School has entered into the following lease arrangements:

Operating Leases

The School has a lease for space located at Jackson Avenue. The lease is set to expire June 30, 2028 and contains a renewal option for five years. Termination of the lease is generally prohibited unless there is a violation under the lease agreement.

Notes to Financial Statements June 30, 2023 and 2022

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. Termination of the lease is generally prohibited unless there is a violation under the lease agreement. Subsequent to year end, the School notified the landlord they were relocating the School and were breaking the lease for cause. As of the date of the report, the School is in negotiations with the landlord to cancel the balance of the lease payments. Subsequent to year end, the School signed a lease for new lease for space in Harlem for the School. The lease commenced September 2023. The lease is set to expire August 31, 2055 with optional 19-year renewals. Termination of the lease is generally prohibited unless there is a violation under the lease agreement. Future minimum lease payments through 2055 are \$51,863,292. The tenant can exercise an early termination of the lease and pay an early termination fee should their Charter not be renewed. 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. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

The School has leases for office equipment that expire in various years through fiscal year 2026. Termination of the leases is generally prohibited unless there is a violation under the lease agreements.

All Leases

The School has no material related-party leases.

The School's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the year ended June 30, 2023 are:

Operating lease cost	\$ 1,437,997
Total lease cost	\$ 1,437,997
Other information	
Cash paid for amounts included in the	
measurement of lease liabilities	
Operating cash flows from operating leases	\$ 1,391,736
ROU assets obtained in exchange for new operating	
lease liabilities	17,398
Weighted-average remaining lease term	
Operating leases	4.30 years
Weighted-average discount rate	-
Operating leases	2.91%

Notes to Financial Statements June 30, 2023 and 2022

Future minimum lease payments and reconciliation to the statement of financial position at June 30, 2023 are as follows:

	Leases
2024 2025 2026 2027	\$ 1,472,609 1,544,749 1,034,823 906,480
2028	923,363
Total undiscounted lease payments	5,882,024
Less imputed interest	(354,270)
Lease liabilities	\$ 5,527,754

Prior Year Disclosures Under Topic 840

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		923,364
Total	_\$	5,239,983

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	535,000
	\$ 1,455,000

Notes to Financial Statements June 30, 2023 and 2022

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	145,860
	 543,072

Rent expense for the year ended June 30, 2022 was \$1,255,468.

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 was \$76,525. The balance of the loan was paid in full in 2023.

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, 2023 and 2022.

Notes to Financial Statements June 30, 2023 and 2022

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.

Operating Revenue

The School obtained approximately 97% and 99% of its operating revenues through its charters from New York State for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, comprise the following:

	 2023	2022
Current financial assets at year-end		
Cash	\$ 953,370	\$ 977,960
Contributions and government grants receivable	 372,105	 617,941
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,325,475	\$ 1,595,901

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, 2023 and 2022, the level of liquidity and reserves was managed within the policy requirements.

Note 9: Subsequent Events

Subsequent events have been evaluated through December 21, 2023, which is the date the financial statements were available to be issued.



Schedule of Activities by Location Year Ended June 30, 2023

	На	rlem	South	Bronx	To	otal
Revenues and Other Support						
Per-pupil operating revenue - resident student enrollment		\$ 1,388,330		\$ 3,933,312		\$ 5,321,642
Per-pupil operating revenue - students with disabilities		244,224		698,174		942,398
New York City Department of Education (NYCDOE)						
rental assistance revenue		409,720		821,223		1,230,943
Total state and local per-pupil operating revenues		2,042,274		5,452,709		7,494,983
Government grants and contracts - federal		181,537		1,218,226		1,399,763
Government grants and contracts - state		-		1,000		1,000
Contributions		53,100		153,706		206,806
Special events	\$ 2,223		\$ 3,721		\$ 5,944	
Less direct costs of special event		2,223		3,721		5,944
Interest		-		30		30
Other revenues		14,616		44,838		59,454
Total operating revenues and other support		2,293,750		6,874,230		9,167,980
Expenses						
Program services						
General education		1,559,119		4,157,074		5,716,193
Special education		577,510		1,249,218		1,826,728
Total program services		2,136,629		5,406,292		7,542,921
Supporting services						
Management and general		589,654		1,382,097		1,971,751
Total expenses		2,726,283		6,788,389		9,514,672
Change in Net Assets		(432,533)		85,841		(346,692)
Net Assets (Deficit) Without Donor Restrictions, Beginning of Year		(443,217)		2,456,560		2,013,343
Net Assets (Deficit) Without Donor Restrictions, End of Year		\$ (875,750)		\$ 2,542,401		\$ 1,666,651

Schedule of Functional Expenses – Harlem Year Ended June 30, 2023

			Drawam Sawisaa		Supporting	
	No. of	0	Program Services		Services	
	No. of	General	Special	Total	Management	Total
	Positions	Education	Education	Total	and General	Total
Personnel service costs						
Administrative personnel	4	\$ 139,074	\$ 45,874	\$ 184,948	\$ 249,726	\$ 434,674
Instructional personnel	8	484,217	211,759	695,976	-	695,976
Non-instructional personnel	2	-	_	-	149,550	149,550
•						
Total personnel service costs	14	623,291	257,633	880,924	399,276	1,280,200
Payroll taxes and employee benefits		134,008	55,391	189,399	85,844	275,243
Legal fees		-	-	-	14,747	14,747
Audit fees		-	_	-	12,273	12,273
Professional fees		219,218	72,311	291,529	17,696	309,225
Repairs and maintenance		8,082	2,666	10,748	955	11,703
Curriculum and classroom		32,369	10,677	43,046	-	43,046
Student services		43,219	14,256	57,475	-	57,475
Food services		875	289	1,164	-	1,164
Staff development		16,586	5,471	22,057	1,960	24,017
Equipment and furnishings		4,815	1,588	6,403	569	6,972
Office expense		15,961	5,265	21,226	1,886	23,112
Building, land, rent, and lease		300,406	99,090	399,496	35,504	435,000
Utilities		13,480	4,447	17,927	1,593	19,520
Information technology		37,193	12,268	49,461	4,396	53,857
Marketing and recruiting		31,873	10,514	42,387	3,767	46,154
Insurance		27,044	8,921	35,965	3,196	39,161
Depreciation		50,575	16,682	67,257	5,977	73,234
Interest expense		124	41_	165	15	180
Total expenses reported by function on the						
statements of activities		\$ 1,559,119	\$ 577,510	\$ 2,136,629	\$ 589,654	\$ 2,726,283

Schedule of Functional Expenses – South Bronx Year Ended June 30, 2023

			Program Services		Supporting Services	
	No. of	General	Special		Management	
	Positions	Education	Education	Total	and General	Total
Personnel service costs						
Administrative personnel	17	\$ 444,746	\$ 117,597	\$ 562,343	\$ 661,615	\$ 1,223,958
Instructional personnel	24	1,507,210	523,910	2,031,120	=	2,031,120
Non-instructional personnel	8				239,704	239,704
Total personnel service costs	49	1,951,956	641,507	2,593,463	901,319	3,494,782
Payroll taxes and employee benefits		383,696	126,101	509,797	177,172	686,969
Legal fees		-	-	-	15,997	15,997
Audit fees		_	_	_	33,143	33,143
Professional fees		472,027	124,811	596,838	49,169	646,007
Repairs and maintenance		31,021	8,202	39,223	4,306	43,529
Curriculum and classroom		98,952	26,164	125,116	-	125,116
Student services		97,073	25,668	122,741	-	122,741
Food services		4,059	1,073	5,132	-	5,132
Staff development		50,651	13,393	64,044	7,031	71,075
Equipment and furnishings		11,094	2,933	14,027	1,540	15,567
Office expense		43,511	11,505	55,016	6,040	61,056
Building, land, rent, and lease		671,868	177,652	849,520	139,019	988,539
Utilities		26,744	7,071	33,815	3,713	37,528
Information technology		93,542	24,734	118,276	12,986	131,262
Marketing and recruiting		36,277	9,592	45,869	5,036	50,905
Insurance		27,908	7,379	35,287	3,874	39,161
Depreciation		155,505	41,118	196,623	21,587	218,210
Interest expense		1,190	315	1,505	165	1,670
Total expenses reported by function on the						
statements of activities		\$ 4,157,074	\$ 1,249,218	\$ 5,406,292	\$ 1,382,097	\$ 6,788,389



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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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Storefront Academy Charter School dba Storefront Academy Charter School South Bronx, which comprise the statement of financial position as of June 30, 2023, 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 December 21, 2023, which contained an Emphasis of Matter paragraph regarding a change in accounting principle.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001, 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 December 21, 2023

Schedule of Findings and Responses Year Ended June 30, 2023

Findings Required to be Reported by Government Auditing Standards

Reference	
Number	Finding

2023-001 Segregation of Duties

Criteria or Specific Requirement

The accounting functions should be properly segregated to maintain proper internal controls over financial reporting.

Condition

The current staff size of the School does not always allow for the proper segregation of duties related to cash disbursements, payroll, and the journal entry process.

Effect

Administrative staff has the ability to misappropriate assets with limited supervision.

Cause

The School has two accountants performing multiple tasks.

Recommendation

We recommended that the School establish compensating controls in each area described above.

Views of Responsible Officials and Planned Corrective Actions

Due to the size of the School's finance team, procedures have been put in place to establish proper internal controls over financial reporting effective January 1, 2024, allowing for proper segregation of duties related to cash disbursements, payroll, and the journal entry process.

• Cash Disbursements – All invoices received by the School are entered into Bill.com by the Finance Associate. Invoices are reviewed and approved by the School's finance consultant and Director of Operations. Cash may not be distributed without two layers of approval.

Schedule of Findings and Responses (Continued)
Year Ended June 30, 2023

Reference Number

Finding

- Payroll Payroll is prepared by the School's Finance Associate.
 The payroll reconciliation is emailed to the finance consultant and Director of Operations prior to processing. The reconciliation includes notes regarding changes in compensation, supplemental payments, employee leaves, PTO and reimbursement information. The finance consultant and Director of Operations will approve the payroll reconciliation prior to distribution.
- **Journal Entries** Journal entries are made on the general ledger by the finance consultant and Finance Associate. The finance consultant will prepare a monthly journal entry report and provide this to organizational leadership, including the Director of Operations and Finance Committee.

Summary Schedule of Prior Audit Findings Year Ended June 30, 2023

Reference Number	Summary of Finding	Status
2022-001	Segregation of Duties	
	The accounting functions should be properly segregated to maintain proper internal controls over financial reporting.	Unresolved (2023-001)



Report to the Board of Trustees and Management

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx

Results of the 2023 Financial Statement Audit, Including Required Communications

June 30, 2023

Contents

Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)	
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Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

The following matters are required communications we must make to you, including these responsibilities:

Overview & Responsibilities

Scope of Our Audit & Inherent Limitations to Reasonable Assurance

Your & Our Responsibilities

Extent of Our Communication & Distribution Restriction

Independence Matters



Matter	Discussion
Scope of Our Audit	This report covers audit results related to your financial statements and supplementary information:
	 As of and for the year ended June 30, 2023 Conducted in accordance with our contract dated October 12, 2023
Our Responsibilities	FORVIS is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).
Audit Scope & Inherent Limitations to Reasonable Assurance	An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) and <i>Government Auditing Standards</i> issued by the Comptroller of the United States (GAGAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the financial statements taken as a whole and did not include a detailed audit of all transactions.
Extent of Our Communication	In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.
Independence	The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.



Matter	Discussion
Your Responsibilities	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.
Distribution Restriction	This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:
	 The Board of Trustees and Management Others within Storefront Academy Charter School dba Storefront Academy Charter School South Bronx (the School)



Government Auditing Standards

Matter	Discussion
Additional GAGAS Reporting	 We also provided reports as of June 30, 2023 on the following as required by GAGAS: Internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with GAGAS
Reporting Limitations	Our consideration of internal control over financial reporting and our tests of compliance were not designed with an objective of forming an opinion on the effectiveness of internal control or on compliance, and accordingly, we do not express such an opinion.

Uniform Guidance Overview & Responsibilities

Matter	Discussion
Scope of Our Audit	We will also provide reports as of June 30, 2023 on the following as required by U.S. Office of Management and Budget (OMB) Uniform Guidance:
	 Opinion on compliance for each major federal award program Report on internal control over compliance Schedule of Expenditures of Federal Awards
Audit Scope & Inherent Limitations to Reasonable Assurance	A compliance audit performed in accordance with OMB Uniform Guidance is designed to obtain reasonable, rather than absolute, assurance about whether noncompliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on a major federal award program occurred.



Qualitative Aspects of Significant Accounting Policies & Practices

The following matters are detailed in the following pages and included in our assessment:

Significant Accounting Policies

Unusual Policies or Methods

Alternative Accounting Treatments

Management Judgments & Accounting Estimates

Financial Statement Disclosures

Our Judgment About the Quality of the Entity's Accounting Principles



Significant Accounting Policies

Significant accounting policies are described in Note 1 of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topics detailed in the following pages:

• ASC 842, Leases

Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

No matters are reportable

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

Policy elections for ASC 842, Leases

Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

Valuation of contributions and government grants receivable



Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

• No matters are reportable

Our Judgment About the Quality of the School's Accounting Principles

During the course of the audit, we made the following observations regarding the School's application of accounting principles:

No matters are reportable



Significant Accounting Policies & Alternative Treatments – Details

ASC 842, Leases

Effective July 1, 2022, the School adopted ASC 842, *Leases*. ASC 842 requires recognition of most leases on the balance sheet and enhanced disclosures within the footnotes of the financial statements.

FASB believes this standard allows for a more faithful representation of the lessee's assets and liabilities and provides greater transparency about the lessee's obligations and leasing activities than legacy guidance, which did not require lessees to recognize assets and liabilities arising from operating leases.

Adoption of ASC 842 required significant time to identify a complete list of lease contracts for consideration of adoption and measure the lease assets and liabilities for recognition. In addition, due to adoption of the standard, the School's key performance indicators related to the balance sheet (such as the current ratio) are likely not comparable to historical results.

Policy Elections & Transition for ASC 842

Management has elected the following accounting policies and transition practical expedients:

- 1) Election of the alternative transition method for adoption
- 2) Election of the following package of practical expedients at the date of adoption of ASC 842 to not reassess:
 - a) Whether any expired or existing contract is a lease or contains a lease
 - b) The lease classification of any expired or existing leases
 - c) Initial direct costs for any existing leases
- 3) Election of the practical expedient to combine lease and nonlease components in the contract
- 4) Election of the short-term lease exception for leases that, at the lease commencement date, have a lease term of 12 months or less and does not include an option to purchase the underlying asset that the School is reasonably certain to exercise. This election was made by asset class rather than individual leases



- 5) Election of the practical expedient available to nonpublic entities to use a risk-free discount rate when measuring lease liabilities
- 6) Adoption of a capitalization policy for right-of-use assets of \$10,000



Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

Addition of ROU assets and lease liabilities for leased equipment



Uncorrected Misstatements

Some adjustments proposed were **not recorded** because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Uncorrected audit misstatements pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole are included as an attachment to this communication.

While these uncorrected misstatements were deemed to be immaterial to the current-year financial statements, it is possible that the impact of these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated.

Nature of Uncorrected Misstatements

- Depreciate leasehold improvements based on the term of the related lease
- Reverse straight line adjustment for rent expense



Other Required Communications

Disagreements with Management

Significant Issues Discussed with Management

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

• While we were engaged to perform the Uniform Guidance audits for fiscal years 2022 and 2021, we have not yet received most of the information to complete these audits. These audits are required to be completed and filed by September 30, 2022. As a result, the School is late in filing its required audit reports on its expenditures of federal awards and its compliance with terms and conditions of its major program.

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see Attachments)
- Management letter dated December 21, 2023 communicating other deficiencies in internal control that are not considered material weaknesses or significant deficiencies

We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies.



Required Communications Regarding Internal Control (AU-C 265)

Consideration of Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Storefront Academy Charter School dba Storefront Academy Charter School South Bronx as of and for the year ended June 30, 2023, in accordance with GAAS and GAGAS, we considered the School's internal control over financial reporting (internal control).

This consideration served as a basis for designing audit procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statements.

However, this consideration was **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 paragraphs 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.



Categorizing Deficiencies by Severity

Deficiency

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.

Significant Deficiency

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.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatements of the School's financial statements will not be prevented or detected and corrected on a timely basis.









Identified Deficiencies

We identified a certain deficiency in internal control that we consider to be a significant deficiency.

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.



Other Financial Reporting Matters

Although not considered material weaknesses, significant deficiencies, or deficiencies in internal control over financial reporting, we also observed other matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist.

However, these other matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures.

We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

Conflict of Interest Policy and Disclosures

We recommend that key members of management disclose, on an annual basis, any organizations that they may be members of and if they are aware of any conflicts of interest. While not required, it is considered a best practice and should be implemented in the School's conflict of interest policy.



Operational Assessment

Based on our observations during the audit, we believe the School would benefit from a Financial Operational Assessment. An operational assessment gives recommendations and is aimed at helping an entity identify process improvements, strengthen internal controls, find cost-saving opportunities, right-size staffing roles and responsibilities, and better tracking of financial performance. The assessment provides the entity with suggestions and best practices based on your unique circumstances paired with experience working with similar entities. Recommendations for modifications to existing internal controls, staffing structure, and policies, or even creating new ones can help improve the entity's reporting accuracy, timeliness, and transparency. While some corrective action steps may require additional projects to implement, performance of the Financial Operational Assessment may assist the organization to target its resources on the highest priority issues and develop a workplan to mitigate the findings documented.

Inflation Reduction Act (IRA)

In 2022, Congress passed the *Inflation Reduction Act* (IRA), which includes a host of climate and energy tax incentives. The IRA allows direct payments from the IRS to specified entities of clean energy tax credits, simplifying access to key incentives that support the environment. Nonprofit organizations, state and political subdivisions, Indian tribal governments, any Alaska Native corporation, and rural electric cooperatives are now eligible for and may receive energy tax credits for new capital investment in or production of clean energy.

There are several tax credits available under the IRA, especially if your organization is considering investing in any of the following activities: building new energy-efficient buildings, making ongoing improvements to existing facilities, installing solar panels, purchasing a new fleet of vehicles, *e.g.*, buses, transportation for parking lots, delivery trucks, etc., and installing charging stations for electric vehicles.

FORVIS professionals can work with your nonprofit organization to identify tax opportunities under the IRA, quantify the potential financial impact of these tax incentives, and help your organization stay in compliance if you claim any of these credits or deductions.



What Makes Us Uniquely FORVIS

We Are FORVIS

OUR PURPOSE

To help those we serve unlock their full potential

MISSION

To build remarkable careers and provide an Unmatched Client Experience™ through an uncommon commitment to excellence

VISION

Our **FORward VISion** is to be known for creating engaging opportunities, delivering innovative solutions, and building unrivaled relationships



EXPERIENCE

A key part of the **FORVIS WAY** is our Unmatched Client Experience—the focus for this book. Unmatched Client Experience is how we work with team members and clients to deliver a unique experience. We strive to serve each other and unlock our individual and collective full potential. With all the elements of the FORVIS Way as our foundation, delivering an Unmatched Client Experience becomes real when we do these three things ...









About Our Nonprofit Practice

The Nonprofit Practice at FORVIS is driven by our commitment to forward vision. As a top 10 public accounting firm and a thought leader in the industry, we provide innovative services and valuable insights to help our clients thrive and attain their goals. Our depth of resources enables us to provide a wide range of high-quality services to a variety of nonprofit organizations, and our collaborative team is committed to delivering excellence and providing Unmatched Client Experiences™.

Our nonprofit team performs engagements for many nonprofit organizations. Our professionals support nonprofit management teams, boards, and audit committees with strategy surrounding revenue sources and operational efficiency while upholding donor trust in your ability to carry out the organizational mission. In addition to tax, audit, and assurance services, our team can help with:

- Strategic Financial Outsourcing
- Grants Management & Compliance
- Job Succession Planning
- Compensation Consulting Services
- Internal Audit
- Cybersecurity & IT Risk
- Fraud & Ethics Hotline Service
- Private Foundation Services

- Financial & Operational Assessments
- Governance, Strategy, & Communication Consulting
- Impact Studies & Organizational Assessments
- ESG
- Unrelated Business Income Tax Consulting
- IRS Examination Representation
- Wealth Advisory Services/Endowment Management

"When we were implementing the new lease accounting standard, FORVIS was there for us. The team was responsive whenever we had questions and consistently shared their deep knowledge and advice with us. We also utilized their customized software for our implementation, which made the process simple and smooth. I'm thankful to the team at FORVIS and appreciate the great service we received."

Robert Calamo / Vice President and Comptroller Wildlife Conservation Society / Bronx, New York

3
Provider of Single Audits





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FORVIS' commitment to our people, clients, integrity, and culture are critical to achieving quality in our practice.

- The <u>FORVIS Integrated Report</u> highlights how our mission-focused mindset helps us support clients, establish firm objectives, and achieve success
- Our 2023 Quality Report supplements the broader Integrated Report by sharing items focused on the quality structure of our audit and attest practice





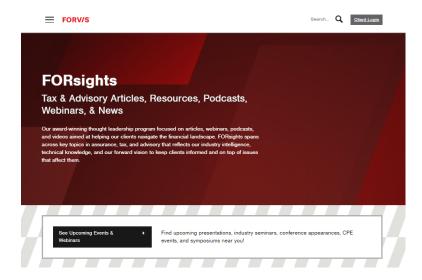


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FORVIS Investments Driving Innovation

Collaboration Portals

Our proprietary collaboration tool MyFORVIS manages task lists, deadlines, and securely exchanges data.

Data Analytics

With MindBridge, Alteryx, and our own proprietary tools and teams, we ingest, verify, and analyze your data for specific matters and general anomalies.

Unstructured Data

We leverage machine learning to speed evaluation of lease, debt business combination, and other agreements using Kira that identifies and highlights terms and clauses of interest.

Automation

Time-consuming audit tasks like comparing Excel lists to supporting documents or salary detail to payroll records is accelerated using DataSnipper.

Risk-Based Sampling

Proprietarily created applications or off-the-shelf solutions like

TeamMate Analytics power sampling techniques to rapidly evaluate large data sets, reducing low-value work and cost.

Transforming the Future

FORVIS is simultaneously building ASSURE, our proprietary audit solution, while joining the profession to build the AICPA's Dynamic Audit Solution. These tools will transform risk assessment and response while improving your audit experience.



Attachments

Management Representation Letter

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.

Schedule of Uncorrected Misstatements

The detail of uncorrected misstatements identified as a result of our engagement are included herein.



Attachment A

Management Representation Letter



FORVIS is a trademark of FORVIS, LLP, registered with the U.S. Patent and Trademark Office.

Representation of:

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx 609 Jackson Avenue Bronx, NY 10455

Provided to:
FORVIS, LLP
Certified Public Accountants
1155 Avenue of the Americas, Suite 1200
New York, NY 10036

The undersigned ("We") are providing this letter in connection with FORVIS' audits of our financial statements as of and for the years ended June 30, 2023 and 2022.

Our representations are current and effective as of the date of FORVIS' report: December 21, 2023.

Our engagement with FORVIS is based on our contract for services dated: October 12, 2023.

Our Responsibility & Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to FORVIS' report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

Confirmation of Matters Specific to the Subject Matter of FORVIS' Report

We confirm, to the best of our knowledge and belief, the following:

Broad Matters

- 1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
- 2. We acknowledge our responsibility for the design, implementation, and maintenance of:
 - a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
 - b. Internal control to prevent and detect fraud.
- 3. We have provided you with:

- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
- b. Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- d. All minutes of board of trustees meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the board, if applicable, and maintained as part of our records.
- e. All significant contracts and grants.
- 4. We have responded fully and truthfully to all your inquiries.

Government Auditing Standards

- 5. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.
- 6. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
- 7. We have identified and disclosed to you any violations or possible violations of laws, regulations, and provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
- 8. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.
- 9. We have a process to track the status of audit findings and recommendations.
- 10. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.
- 11. We have provided our views on any findings, conclusions, and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with Government Auditing Standards.

Misappropriation, Misstatements, & Fraud

- 12. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
 - a. Misappropriation of assets.

- b. Misrepresented or misstated assets, liabilities, or net assets.
- 13. We have no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management or employees who have significant roles in internal control over financial reporting, or
 - b. Others when the fraud could have a material effect on the financial statements.
- 14. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, suppliers, or others.
- 15. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

Ongoing Operations

- 16. We have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year of the date of this letter without consideration of potential mitigating effects of management's plans not yet fully implemented and concluded substantial doubt does not exist.
- 17. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the fair values of investments and other assets, declines in the volume of business, contributions, constraints on liquidity, difficulty obtaining financing, etc. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts and contributions receivable, etc., that could negatively impact the entity's ability to maintain sufficient liquidity.

We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the entity's financial statements. Further, management and governance are solely responsible for all aspects of managing the entity, including other assets; reviewing allowances for uncollectible amounts; evaluating capital needs and liquidity plans; etc.

Related Parties

- 18. We have disclosed to you the identity of all of the entity's related parties and all the related-party relationships of which we are aware. The entity has not entered into any new agreements with a related party or modified terms related to an existing related-party transaction during the year under audit, or as of the date of this letter. Further, we do not have any existing or ongoing agreements with related parties that are still in effect as of the date of this letter.
- 19. We understand that the term related party refers to:
 - Affiliates.
 - Entities for which investments are accounted for by the equity method.
 - Trusts for the benefits of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management.
 - Principal owners and members of their immediate families.

- Management and members of their immediate families.
- Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The term <u>affiliate</u> refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

Litigation, Laws, Rulings, & Regulations

- 20. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.
- 21. We have no knowledge of communications, other than those specifically disclosed, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
- 22. We have disclosed to you all known instances of violations or noncompliance or possible violations or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements or as a basis for recording a loss contingency.
- 23. There are no regulatory examinations currently in progress for which we have not received examination reports.
- 24. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
- 25. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

Nonattest Services

- 26. You have provided nonattest services, including the following, during the period of this engagement:
 - Preparing a draft of the financial statements and related notes and supplementary information.
 - All federal information returns preparation.
- 27. With respect to these services:

- a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
- b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
- c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
- d. We have evaluated the adequacy of the services performed and any findings that resulted.
- e. Established and maintained internal controls, including monitoring ongoing activities.
- f. When we receive final deliverables from you, we will store those deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

Financial Statements & Reports

- 28. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
- 29. With regard to supplementary information:
 - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
 - b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
 - c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
- 30. We do not issue an annual report, nor do we have plans to issue an annual report at this time.

Transactions, Records, & Adjustments

- 31. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 32. We have everything we need to keep our books and records.
- 33. We have disclosed any significant unusual transactions the entity has entered into during the period, including the nature, terms, and business purpose of those transactions.
- 34. We believe the effects of the uncorrected financial statement misstatements and omitted disclosures summarized in the attached schedule and aggregated by you during the current

engagement are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

We understand that, depending on both the nature of the uncorrected misstatements and the federal and state income tax rules applicable thereto, each uncorrected misstatement may or may not be taken into account for purposes of determining our federal and/or state taxable income and any income tax liability for the current year.

Nonprofit Accounting & Disclosure Matters

- 35. Adequate provisions and allowances have been accrued for any material losses from uncollectible pledges.
- 36. We have identified to you any activities conducted having both fund raising and program or management and general components (joint activities) and have allocated the costs of any joint activities in accordance with the provisions of FASB ASC 958-720-45.
- 37. We are an entity exempt from income tax under Section 501(c) of the Internal Revenue Code and a similar provision of state law and, except as disclosed in the financial statements, there are no activities that would jeopardize our tax-exempt status or subject us to income tax on unrelated business income or excise tax on prohibited transactions and events.
- 38. We acknowledge the entity is not a conduit debt obligor whose debt securities are listed, quoted, or traded on an exchange or an over-the-counter market. As a result, we acknowledge the entity does not meet the definition of a "public entity" under generally accepted accounting principles for certain accounting standards.

Accounting & Disclosure

- 39. All transactions entered into by the entity are final. We are not aware of any unrecorded transactions, side agreements, or other arrangements (either written or oral) that are in place.
- 40. Except as reflected in the financial statements, there are no:
 - a. Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
 - b. Material transactions omitted or improperly recorded in the financial records.
 - c. Material unasserted claims or assessments that are probable of assertion or other gain/loss contingencies requiring accrual or disclosure in accordance with Accounting Standards Codification (ASC) Topic 450, Contingencies, including those arising from environmental remediation obligations.
 - d. Events occurring subsequent to the statement of financial position date through the date of this letter, which is the date the financial statements were available to be issued, requiring adjustment or disclosure in the financial statements.
 - e. Agreements to purchase assets previously sold.
 - f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.
 - g. Guarantees, whether written or oral, under which the entity is contingently liable.

- h. Known or anticipated asset retirement obligations.
- 41. Except as disclosed in the financial statements, the entity has:
 - a. Satisfactory title to all recorded assets, and those assets are not subject to any liens, pledges, or other encumbrances.
 - b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

Revenue, Accounts Receivable, & Inventory

- 42. Adequate provisions and allowances have been accrued for any material losses from:
 - a. Uncollectible receivables.
 - b. Purchase commitments in excess of normal requirements or at prices in excess of prevailing market prices.

Estimates

- 43. We have identified all accounting estimates that could be material to the financial statements, and we confirm the appropriateness of the methods and the consistency in their application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in making the accounting estimates, including those measured at fair value reported in the financial statements.
- 44. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations, which refer to volumes of business, revenues, investments, or deposits, existing at the date of the financial statements that would make the entity vulnerable to the risk of severe impact in the near term that have not been properly disclosed in the financial statements.

Off-Balance Sheet Risk

- 45. The following information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk have been properly disclosed in the financial statements:
 - a. The extent, nature, and terms of financial instruments with off-balance sheet risk.
 - b. The amount of credit risk of financial instruments with off-balance sheet risk and information about the collateral supporting such financial instruments.
 - c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral of such financial instruments.
 - d. The common activity, region, or characteristic that identified the concentration.
 - e. The maximum loss that could result if the counterparties completely failed to perform their obligations and any collateral for the amounts due were worthless.
 - f. The entity's policy of requiring collateral to minimize the risk, the nature of this collateral, and information about the entity's access to collateral.

Long-Lived Assets to Be Held & Used

- 46. We have reviewed long-lived assets to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have appropriately recorded the adjustment.
- 47. The entity's estimates of future cash flows are based on reasonable and supportable assumptions regarding the cash flows expected to result from the use of the assets and their eventual disposition.
- 48. The School did not decide to relocate their Harlem Campus prior to the end of the 2023 fiscal year.

Tax Matters

49. We understand the potential penalties for failure to disclose reportable tax transactions to the taxing authorities and have fully disclosed to FORVIS any and all known reportable tax transactions.

Topic 842, Leases

- 50. In connection with the adoption of ASC Topic 842, Leases, we represent the following:
 - a. We have adopted the standard using a modified retrospective approach and elected to not adjust comparative periods.
 - b. We have elected the following package of practical expedients at the date of adoption of ASC 842 to not reassess:
 - i. Whether any expired or existing contract is a lease or contains a lease.
 - ii. The lease classification of any expired or existing leases.
 - iii. Initial direct costs for any existing leases.
 - c. We have-not elected the hindsight practical expedient in determining the lease term and assessing impairment of the entity's right-of-use assets. This practical expedient has been applied to all leases.
 - d. We have elected the practical expedient to combine lease and nonlease components in the contract.
 - e. We have not elected the portfolio approach to classify and measure leases. Actual results under the portfolio approach are materially similar evaluations on an individual basis.
 - f. We have elected the short-term lease exception for leases that, at the lease commencement date, have a lease term of 12 months or less and does not include an option to purchase the underlying asset that the entity is reasonably certain to exercise. This election was made by asset class rather than individual leases.
 - g. We have elected the practical expedient available to lessees that are not public business entities to use a risk-free discount rate when measuring lease liabilities.
 - h. We have not elected the practical expedient for common control leasing arrangements to use the written terms and conditions to determine whether a lease exists, and, if so, the classification and accounting for that lease.

- i. We have adopted a capitalization policy for right-of-use assets of \$10,000. Right-of-use assets not capitalized are not material individually and in the aggregate.
- We have identified a complete population of potential leases as of the implementation date.
- k. The estimates related to any options to extend or terminate the lease terms within the measurement of lease assets and liabilities agree to management's plans for the leases.
- I. We have adequate controls in place to prevent and/or detect errors in lease assets and liabilities on a recurring basis.
- m. The footnotes to the financial statements appropriately describe the adoption of ASC Topic 842, *Leases*, and include all additional disclosures required under the standard.

Other Matters

- 51. We have examined the outstanding contributions and grants receivable and determined that all are collectible.
- 52. We are amortizing our additions to leasehold improvements at Jackson Avenue over ten years based upon the renewal periods of the lease.

Richard Bayles, Board Chairman

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Attachment B

Schedule of Uncorrected Misstatements



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Storefront Academy Charter School Period Ending: June 30, 2023

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE AND QUALITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change		
Current Assets	1,371,618	0	1,371,618	0.00%		
Non-Current Assets	6,343,624	(77,206)	6,266,418	-1.22%		
Current Liabilities	(1,853,871)	0	(1,853,871)	0.00%		
Non-Current Liabilities	(4,194,720)	(4,433)	(4,199,153)	0.11%		
Current Ratio	0.74		0.74	0.00%		
		<u> </u>		-		
Total Assets	7,715,242	(77,206)	7,638,036	-1.00%		
Total Liabilities	(6,048,591)	(4,433)	(6,053,024)	0.07%		
Net Assets	(1,666,651)	81,639	(1,585,012)	-4.90%		
				<u>.</u>		
Revenues & Income	(9,167,980)	0	(9,167,980)	0.00%		
Costs & Expenses	9,514,672	31,820	9,546,492	0.33%		
Change in Net Assets	346,692	31,820	378,512	9.18%		

${\tt SCHEDULE\ OF\ UNCORRECTED\ MISSTATEMENTS\ (ADJUSTMENTS\ PASSED)}$

Client: Storefront Academy Charter School Period Ending: June 30, 2023

			Factual (F),	Ass	ets	Liabi	lities	(X)	Revenues &	Costs &		Net Effect on F	ollowing Year
	Location or	Financial	Judgmental (J)	Current	Noncurrent	Current	Noncurrent N	lon _	Income	Expenses	Net Assets	Change in Net	Net Assets
Description	Business Unit	Line Item	or Projected (P)	DR (CR)	DR (CR)	DR (CR)	DR (CR) 1	Гах	DR (CR)	DR (CR)	DR (CR)	DR (CR)	DR (CR)
Depreciation expense for Harlem leasehold improvements based on the terms of the lease agreement	Harlem		F	0	(51,965)	0	0		0	13,905	38,060	(51,965)	51,965
Depreciation expense for South Bronx leasehold improvements based on the terms of the lease agreement	South Bronx		F	0	(25,241)	0	0		0	13,482	11,759	(25,241)	25,241
Reverse straight line adjustment made for rent expense			F	0	0	0	(4,433)		0	4,433	0	4,433	4,433
Taxable passed adjustments Times (1 - effective tax rate of 00%) Taxable passed adjustments net of tax impact					0		_	0 100%	31,820 100% 31,820	49,819 100% 49,819	(72,773)	81,639	
		Nontaxable passed adjustments	or tax impact	0	(77,206)	0	(4,433)		0	01,020	45,015		
		Total passed adjustments, net of	of tax impact (if an	0	(77,206)	0	(4,433)	_	0	31,820	49,819		
	Impact on Change in						31,820						

Client: Storefront Academy Charter School
Period Ending: June 30, 2023

Uncorrected and/or Omitted Disclosure (Include Guidance Reference)	Misstatement Type	Quantitative Amount(s)	Relevant Financial Statement Line(s)



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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, 2023 in accordance with auditing standards generally accepted in the United States of America, 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.

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.

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

We observed the following matter that we consider to be a significant deficiency.

Significant Deficiency

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.

This communication is intended solely for the information and use of management, 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 December 21, 2023