

BRONX CHARTER SCHOOL FOR BETTER LEARNING

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2023

(With Comparative Totals for 2022)



BUSINESS
ADVISORS
AND CPAS

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Bronx Charter School for Better Learning

Report on the Financial Statements

Opinion

We have audited the financial statements of Bronx Charter School for Better Learning, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bronx Charter School for Better Learning as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note A to the financial statements, in 2023, Bronx Charter School for Better Learning adopted new accounting guidance related to 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bronx Charter School for Better Learning's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bronx Charter School for Better Learning'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 and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Bronx Charter School for Better Learning's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023 on our consideration of Bronx Charter School for Better Learning's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bronx Charter School for Better Learning's internal control over other financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 30, 2023

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

(With Comparative Totals for 2022)

| <u>ASSETS</u> | <u>June 30,</u> | |
|---|----------------------|----------------------|
| | <u>2023</u> | <u>2022</u> |
| <u>CURRENT ASSETS</u> | | |
| Cash and cash equivalents | \$ 10,373,010 | \$ 9,007,620 |
| Certificates of deposit | 1,013,200 | 1,422,857 |
| Accounts receivable, net of allowance of \$493,001 at June 30, 2023 | 28,333 | 367,965 |
| Grants and contracts receivables | 1,825,898 | 1,274,848 |
| Prepaid expenses and other current assets | <u>97,509</u> | <u>66,084</u> |
| TOTAL CURRENT ASSETS | 13,337,950 | 12,139,374 |
| <u>PROPERTY AND EQUIPMENT, net</u> | 591,945 | 703,781 |
| <u>OTHER ASSETS</u> | | |
| Right-of-use assets - operating | 4,014 | - |
| Right-of-use assets - finance | 531,886 | - |
| Escrow account | <u>158,010</u> | <u>158,010</u> |
| | <u>693,910</u> | <u>158,010</u> |
| TOTAL ASSETS | <u>\$ 14,623,805</u> | <u>\$ 13,001,165</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts payable and accrued expenses | \$ 221,522 | \$ 332,234 |
| Accrued payroll and benefits | 1,534,712 | 1,511,151 |
| Deferred revenue | 11,593 | 16,593 |
| Current portion of lease liabilities - operating | 3,432 | - |
| Current portion of lease liabilities - finance | <u>135,560</u> | <u>-</u> |
| TOTAL CURRENT LIABILITIES | 1,906,819 | 1,859,978 |
| <u>OTHER LIABILITIES</u> | | |
| Long-term lease liabilities - operating | 582 | - |
| Long-term lease liabilities - finance | <u>518,739</u> | <u>-</u> |
| | <u>519,321</u> | <u>-</u> |
| TOTAL LIABILITIES | 2,426,140 | 1,859,978 |
| <u>NET ASSETS</u> | | |
| Without donor restrictions | 12,167,445 | 11,109,943 |
| With donor restrictions | <u>30,220</u> | <u>31,244</u> |
| TOTAL NET ASSETS | <u>12,197,665</u> | <u>11,141,187</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 14,623,805</u> | <u>\$ 13,001,165</u> |

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

| | Year ended June 30, | | | |
|---|-------------------------------|----------------------------|---------------|---------------|
| | 2023 | | | 2022 |
| | Without donor restrictions | With donor restrictions | Total | Total |
| Revenue, gains, and other support: | | | | |
| Public school district | | | | |
| Resident student enrollment | \$ 17,144,331 | \$ - | \$ 17,144,331 | \$ 16,599,183 |
| Students with disabilities | 1,192,968 | - | 1,192,968 | 1,419,925 |
| Grants and contracts | | | | |
| State and local | 183,996 | - | 183,996 | 183,996 |
| Federal - Title and IDEA | 706,241 | - | 706,241 | 708,695 |
| Federal - other | 1,022,482 | - | 1,022,482 | 1,277,660 |
| Contributed rent | 5,143,299 | - | 5,143,299 | 4,979,755 |
| TOTAL REVENUE, GAINS AND OTHER SUPPORT | 25,393,317 | - | 25,393,317 | 25,169,214 |
| Expenses: | | | | |
| Program services: | | | | |
| Regular education | 18,540,110 | - | 18,540,110 | 17,589,016 |
| Special education | 3,698,140 | - | 3,698,140 | 3,611,535 |
| Total program services | 22,238,250 | - | 22,238,250 | 21,200,551 |
| Management and general | 1,823,388 | - | 1,823,388 | 1,435,260 |
| Fundraising and special events | 615,776 | - | 615,776 | 383,567 |
| TOTAL OPERATING EXPENSES | 24,677,414 | - | 24,677,414 | 23,019,378 |
| SURPLUS FROM SCHOOL OPERATIONS | 715,903 | - | 715,903 | 2,149,836 |
| Support and other revenue: | | | | |
| Contributions | | | | |
| Foundations | 186,881 | - | 186,881 | 51,541 |
| Individuals | 51,560 | - | 51,560 | 25,645 |
| Special events | 91,091 | - | 91,091 | - |
| Interest income | 10,900 | - | 10,900 | 3,955 |
| Net assets released from restriction | 1,024 | (1,024) | - | - |
| Miscellaneous income | 143 | - | 143 | 76 |
| TOTAL SUPPORT AND OTHER REVENUE | 341,599 | (1,024) | 340,575 | 81,217 |
| CHANGE IN NET ASSETS | 1,057,502 | (1,024) | 1,056,478 | 2,231,053 |
| Net assets at beginning of year | 11,109,943 | 31,244 | 11,141,187 | 8,910,134 |
| NET ASSETS AT END OF YEAR | \$ 12,167,445 | \$ 30,220 | \$ 12,197,665 | \$ 11,141,187 |

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

| | | Year ended June 30, | | | | | | | |
|--|---------------------|----------------------|----------------------|----------------------|------------------------------|--------------------------------------|---------------------|----------------------|----------------------|
| | | 2023 | | | | | | 2022 | |
| | | Program Services | | | Supporting Services | | | | |
| | No. of Positions | Regular Education | Special Education | Sub-total | Management and general | Fundraising and special events | Sub-total | Total | Total |
| Personnel services costs: | | | | | | | | | |
| Administrative staff personnel | 12 | \$ 99,412 | \$ 41,065 | \$ 140,477 | \$ 594,579 | \$ 283,895 | \$ 878,474 | \$ 1,018,951 | \$ 787,523 |
| Instructional personnel | 145 | 7,981,100 | 1,754,952 | 9,736,052 | - | - | - | 9,736,052 | 9,909,858 |
| Non-instructional personnel | 17 | 1,701,740 | 237,829 | 1,939,569 | 273,607 | 22,426 | 296,033 | 2,235,602 | 1,779,338 |
| Total personnel services costs | 174 | 9,782,252 | 2,033,846 | 11,816,098 | 868,186 | 306,321 | 1,174,507 | 12,990,605 | 12,476,719 |
| Fringe benefits and payroll taxes | | 2,364,514 | 489,051 | 2,853,565 | 237,904 | 66,348 | 304,252 | 3,157,817 | 3,070,069 |
| Retirement | | 206,650 | 42,703 | 249,353 | 20,523 | 5,434 | 25,957 | 275,310 | 249,720 |
| Legal service | | - | - | - | 39,156 | - | 39,156 | 39,156 | (4,949) |
| Accounting / audit services | | - | - | - | 47,100 | - | 47,100 | 47,100 | 44,640 |
| Other purchased / professional / consulting services | | 273,416 | 41,738 | 315,154 | 64,729 | 3,000 | 67,729 | 382,883 | 544,201 |
| In-kind rent | | 3,847,897 | 796,116 | 4,644,013 | 388,920 | 110,366 | 499,286 | 5,143,299 | 4,979,755 |
| Repairs and maintenance | | 163,024 | 33,702 | 196,726 | 16,290 | 4,421 | 20,711 | 217,437 | 176,951 |
| Insurance | | 100,390 | 20,739 | 121,129 | 9,936 | 2,593 | 12,529 | 133,658 | 116,296 |
| Utilities | | 114,742 | 23,701 | 138,443 | 11,322 | 2,920 | 14,242 | 152,685 | 149,768 |
| Supplies and materials | | 171,284 | 26,589 | 197,873 | 7,886 | 2,166 | 10,052 | 207,925 | 171,836 |
| Non-capitalized equipment/furnishings | | 9,387 | 1,936 | 11,323 | 901 | 206 | 1,107 | 12,430 | 18,926 |
| Staff development | | 94,139 | 19,472 | 113,611 | 9,481 | 2,656 | 12,137 | 125,748 | 75,563 |
| Marketing and recruitment | | 22,049 | 3,858 | 25,907 | 39,423 | 624 | 40,047 | 65,954 | 53,959 |
| Technology | | 55,606 | 9,523 | 65,129 | 4,306 | 822 | 5,128 | 70,257 | 124,934 |
| Food service | | 22,510 | 4,667 | 27,177 | 2,341 | 734 | 3,075 | 30,252 | 30,666 |
| Student services | | 197,662 | 22,135 | 219,797 | - | - | - | 219,797 | 140,795 |
| Office expense | | 178,305 | 36,865 | 215,170 | 17,843 | 4,872 | 22,715 | 237,885 | 200,860 |
| Depreciation and amortization | | 319,601 | 65,997 | 385,598 | 31,423 | 7,973 | 39,396 | 424,994 | 331,369 |
| Special events | | - | - | - | - | 92,938 | 92,938 | 92,938 | - |
| Interest | | 8,548 | 1,759 | 10,307 | 795 | 152 | 947 | 11,254 | - |
| Bad debt expense | | 556,954 | 13,179 | 570,133 | - | - | - | 570,133 | - |
| Other | | 51,180 | 10,564 | 61,744 | 4,923 | 1,230 | 6,153 | 67,897 | 67,300 |
| | | <u>\$ 18,540,110</u> | <u>\$ 3,698,140</u> | <u>\$ 22,238,250</u> | <u>\$ 1,823,388</u> | <u>\$ 615,776</u> | <u>\$ 2,439,164</u> | <u>\$ 24,677,414</u> | <u>\$ 23,019,378</u> |

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

| | <u>Year ended June 30,</u> | |
|---|----------------------------|---------------------|
| | <u>2023</u> | <u>2022</u> |
| <u>CASH FLOWS - OPERATING ACTIVITIES</u> | | |
| Change in net assets | \$ 1,056,478 | \$ 2,231,053 |
| Adjustments to reconcile change in net assets to net cash provided from operating activities: | | |
| Depreciation and amortization | 424,994 | 331,369 |
| Bad debt expense | 570,133 | - |
| Changes in certain assets and liabilities affecting operations: | | |
| Accounts receivable | (153,369) | (122,362) |
| Grants and contracts receivables | (628,182) | (341,800) |
| Prepaid expenses and other current assets | (31,425) | (30,644) |
| Accounts payable and accrued expenses | (110,712) | 235,548 |
| Accrued payroll and benefits | 23,561 | (18,359) |
| Deferred revenue | <u>(5,000)</u> | <u>5,000</u> |
| NET CASH PROVIDED FROM OPERATING ACTIVITIES | 1,146,478 | 2,289,805 |
| <u>CASH FLOWS - INVESTING ACTIVITIES</u> | | |
| Purchases of property and equipment | (254,060) | (618,674) |
| Proceeds from maturity of certificates of deposit | 409,657 | - |
| Purchases of certificates of deposit | <u>-</u> | <u>(1,045)</u> |
| NET CASH PROVIDED FROM (USED FOR) INVESTING ACTIVITIES | 155,597 | (619,719) |
| <u>CASH FLOWS - FINANCING ACTIVITIES</u> | | |
| Proceeds from lease buyout | 131,255 | - |
| Repayments on finance lease | <u>(67,940)</u> | <u>-</u> |
| NET CASH PROVIDED FROM INVESTING ACTIVITIES | <u>63,315</u> | <u>-</u> |
| NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | 1,365,390 | 1,670,086 |
| Cash, cash equivalents, and restricted cash at beginning of year | <u>9,165,630</u> | <u>7,495,544</u> |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR | <u>\$ 10,531,020</u> | <u>\$ 9,165,630</u> |

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

| | <u>Year ended June 30,</u> | |
|---|----------------------------|---------------------|
| | <u>2023</u> | <u>2022</u> |
| <u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u> | | |
| Reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows: | | |
| Cash and cash equivalents | \$ 10,373,010 | \$ 9,007,620 |
| Cash in escrow | <u>158,010</u> | <u>158,010</u> |
| | <u>\$ 10,531,020</u> | <u>\$ 9,165,630</u> |
| Cash paid during the year for interest | <u>\$ 11,254</u> | <u>\$ -</u> |
| <u>NON-CASH OPERATING ACTIVITIES</u> | | |
| Contributed rent | <u>\$ 5,143,299</u> | <u>\$ 4,979,755</u> |
| <u>NON-CASH INVESTING AND FINANCING ACTIVITIES</u> | | |
| Right-of-use assets obtained in exchange for finance lease liabilities | <u>\$ 577,785</u> | <u>\$ -</u> |

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

NOTE A: THE SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Bronx Charter School for Better Learning (“the Charter School”) is an educational corporation that operates as a charter school in the borough of Bronx, New York. The Charter School operates two schools, Bronx Charter School for Better Learning (“BBL I”) and Bronx Charter School for Better Learning II (“BBL II”). On March 25, 2003, the Board of Regents of the University of the State of New York granted BBL I a provisional charter valid for a term of five years and renewable upon expiration. On May 24, 2017, BBL I obtained a five-year charter renewal with the ability to operate through July 31, 2023.

On July 22, 2014, the Board of Regents of the University of the State of New York amended the charter agreement permitting an additional school to be opened by the Charter School. During the 2015 fiscal year, the Charter School added BBL II under its expanded charter. BBL II has the authority to operate through July 31, 2025. The Charter School was established to provide its students in grades K-5 with a solid foundation for academic success, through achievement that exceeds citywide averages and meets or exceeds New York State Standards and national norms in all curriculum areas tested, especially in mathematics and language arts. The Charter School operates a Pre-K program which is not considered a chartered grade. There is a separate contract between the Charter School and the New York Department of Education regarding the operation of the Pre-K program.

On March 15, 2023, the Board of Regents of the University of the State of New York approved the alignment of the charter renewal cycles of BBL I and BBL II and granted a renewal of each charter with the ability to operate through July 31, 2028.

The accompanying financial statements include the accounts of BBL I and BBL II (collectively referred to as the “Charter School”). All intercompany balances and transactions have been eliminated in the accompanying financial statements.

Classification of net assets

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

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

Net Assets Without Donor Restrictions

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

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

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had net assets with donor restrictions of \$30,220 and \$31,244 at June 30, 2023 or 2022, respectively.

Revenue recognition

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

Public School District Revenue

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

Universal Pre-Kindergarten (Pre-K)

Similar to public school district revenue, the Charter School recognizes Pre-K revenue as educational programming is provided to students throughout the year. The maximum revenue amount is based on a contractually determined fixed amount per student and the number of students enrolled at a point in time. This amount could be further reduced if actual costs incurred in providing the Pre-K program are less than the maximum calculated amount of the contract. Amounts are paid in installments throughout the course of the year, with the final 5% paid upon submission of all required documentation at the end of the contract year. Approximately \$184,000 of funding was received during the years ending June 30, 2023 and 2022 and is included in the state and local grants line on the accompanying statement of activities and changes in net assets.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

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

Fundraising

The Charter School conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event— the exchange component, and a portion represents a contribution to the Charter School. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Charter School. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Charter School, are recorded as fundraising expense in the statement of functional expenses. The performance obligation is delivery of the event. The event fee is set by the Charter School. Special event fees collected by the Charter School in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event.

For special event fees received before year-end for an event to occur after year-end, the Charter School follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

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

| | June 30, | | |
|----------------------------|-------------|-------------|-------------|
| | <u>2023</u> | <u>2022</u> | <u>2021</u> |
| Accounts receivable, gross | \$ 521,334 | \$ 367,965 | \$ 245,603 |

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Approximately \$12,000 and \$17,000 was deferred at June 30, 2023 and 2022, respectively, mostly related to the Charter School's summer program.

Contributions and unconditional promises to give are recorded as revenue in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same period for a specific purpose is classified as revenue without donor restrictions.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidating statement of activities and changes in net assets as net assets released from restrictions.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

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

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. There was no grant revenue deferred at June 30, 2023 and 2022, respectively. The Charter School received cost-reimbursement grants of approximately \$3,585,000 that have not been recognized at June 30, 2023 because qualifying expenditures have not yet been incurred.

Cash and cash equivalents

Cash and certain money market account balances are maintained at financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. The Charter School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In the normal course of business, the cash and cash equivalent account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

Certificates of deposit

Certificates of deposit represent certificates of deposit with maturities of twelve months or less. These assets are carried at their original cost plus interest earned. In the normal course of business, the account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in certificates of deposit.

Accounts, grants and contracts receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. At June 30, 2023, there was a \$493,001 allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2022.

Property and equipment

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

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

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

Escrow account

The Charter School segregated certain certificates of deposit to fund an escrow account in accordance with the terms of their charter agreement. The amount in escrow as of June 30, 2023 and 2022 was \$158,010. The escrow account is restricted to fund legal and other costs should the Charter School cease operations and dissolve.

Tax exempt status

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

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2020 through June 30, 2023 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

In-kind donations

Gifts and donations other than cash are recorded at fair value at the date of contribution.

Contributed services

The Charter School receives contributed services from volunteers to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed. The Charter School received donated transportation, food services and special education services from the local school district. The Charter School was unable to determine a value for these services.

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$66,000 and \$54,000 for the years ended June 30, 2023 and 2022, respectively.

Comparatives for year ended June 30, 2022

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Use of estimates in the preparation of financial statements

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

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

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

Leases

The Charter School leases office equipment and determines if the arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, current liabilities, and other liabilities on the accompanying statement of financial position. Finance leases are included in finance lease right-of-use assets, current liabilities and other liabilities on the accompanying statement of financial position.

ROU assets represent the Charter School's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the leases. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the leases do not provide an implicit rate, the Charter School uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU assets also include any lease payments made and exclude lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Charter School will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term, and for finance leases, as amortization and interest expense.

The Charter School's lease agreements do not contain any material residual value guarantees or restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Charter School considers factors such as if the Charter School has obtained substantially all of the rights to the underlying asset through exclusivity, if the Charter School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Adoption of new accounting standard – leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter School adopted ASC 842 with the date of initial application of July 1, 2022.

The Charter School recognized and measured leases existing at July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

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

As part of the adoption of ASC 842, the Charter School elected practical expedients to account for the existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard; (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance; or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Charter School recognized on July 1, 2022 operating lease liabilities of \$112,455, which represents the present value of the remaining operating lease payments of \$113,688 discounted using the risk-free rate of 2.88%, and the right-of-use asset of \$112,455.

New accounting pronouncement – credit losses

In June 2016 the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), which requires entities to use a new impairment model referred to as the current expected credit losses (CECL) model rather than incurred losses. The new standard affects accounting for loans, accounts (trade) receivable, held-to-maturity debt securities, and other financial assets included in the scope. For non-public entities, the new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 30, 2023, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: LIQUIDITY AND AVAILABILITY

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

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

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash and shows positive cash generated by operations for fiscal years 2023 and 2022.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

NOTE B: LIQUIDITY AND AVAILABILITY, Cont'd

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

| | <u>June 30,</u> | |
|---|----------------------|----------------------|
| | <u>2023</u> | <u>2022</u> |
| Cash and cash equivalents | \$ 10,373,010 | \$ 9,007,620 |
| Certificates of deposit | 1,013,200 | 1,422,857 |
| Accounts receivable | 28,333 | 367,965 |
| Grants and other receivables | <u>1,825,898</u> | <u>1,274,848</u> |
| Total financial assets available within one year | 13,240,441 | 12,073,290 |
| Less: | | |
| Amounts unavailable for general expenditures within one year, due to: | | |
| Restricted by donors with purpose restrictions | <u>(30,220)</u> | <u>(31,244)</u> |
| Total amounts unavailable for general expenditures within one year | <u>(30,220)</u> | <u>(31,244)</u> |
| Total financial assets available to management for general expenditures within one year | <u>\$ 13,210,221</u> | <u>\$ 12,042,046</u> |

NOTE C: SCHOOL FACILITY

The Charter School has an agreement with the New York City Department of Education for dedicated and shared space of approximately 32,000 square feet at no charge at P.S. 111 Annex, a New York City Public School located at 3740 Baychester Avenue, Bronx, New York. In valuing the contributed space in the school building, the Charter School estimated the fair value of \$2,893,293 and \$2,782,314 for the years ended June 30, 2023 and 2022, respectively, on the basis of financial information provided to the Charter School under the New York City Rental Assistance Program. There were no associated donor restrictions with the contributed facility.

The Charter School has an agreement with the New York City Department of Education for dedicated and shared space of approximately 20,000 square feet at no charge at MS 144, a New York City Public School located at 2545 Gunther Avenue, Bronx, New York. In valuing the contributed space in the school building, the Charter School estimated the fair value of \$2,250,006 and \$2,197,441 for the years ended June 30, 2023 and 2022, respectively, on the basis of financial information provided to the Charter School under the New York City Rental Assistance Program. There were no associated donor restrictions with the contributed facility.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

NOTE C: SCHOOL FACILITY, Cont'd

See the table below for program utilization:

| <u>Program or Supporting Service</u> | <u>June 30,</u> | |
|--------------------------------------|---------------------|---------------------|
| | <u>2023</u> | <u>2022</u> |
| Regular education | \$ 3,847,897 | \$ 3,812,388 |
| Special education | 796,116 | 792,826 |
| Management and general | 388,920 | 288,895 |
| Fundraising and special events | 110,366 | 85,646 |
| | <u>\$ 5,143,299</u> | <u>\$ 4,979,755</u> |

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | <u>June 30,</u> | |
|-------------------------------|-------------------|-------------------|
| | <u>2023</u> | <u>2022</u> |
| Furniture and fixtures | \$ 838,756 | \$ 838,756 |
| Computer equipment | 2,681,643 | 2,427,583 |
| | <u>3,520,399</u> | <u>3,266,339</u> |
| Less accumulated depreciation | 2,928,454 | 2,562,558 |
| | <u>\$ 591,945</u> | <u>\$ 703,781</u> |

NOTE E: LEASES

The Charter School leases office equipment under certain non-cancelable operating lease agreements expiring through August 2024. As of June 30, 2023, monthly payments on the operating leases approximate \$300 per month. Operating lease expense was approximately \$110,000 and \$158,000 for the years ended June 30, 2023 and 2022, respectively.

During the year ended June 30, 2023, the Charter School began leasing additional office equipment which is classified as a finance lease. The finance lease calls for monthly payments of \$13,199 per month through December 2027.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

NOTE E: LEASES, Cont'd

A summary of lease right-of-use assets and liabilities at June 30, 2023 are as follows:

| | <u>Statement of Financial</u> <u>Position Classification</u> | |
|------------------------|---|-----------------------|
| <u>Assets</u> | | |
| Operating Leases | Other assets | \$ 4,014 |
| Finance Leases | Other assets | 531,886 |
| | | <u>\$ 535,900</u> |
| <u>Liabilities</u> | | |
| Current: | | |
| Operating Leases | Current liabilities | 3,432 |
| Finance Leases | Current liabilities | 135,560 |
| | | <u>138,992</u> |
| Non-current: | | |
| Operating Leases | Other liabilities | 582 |
| Finance Leases | Other liabilities | 518,739 |
| | | <u>519,321</u> |
| | | <u>\$ 658,313</u> |

The components of lease expense for the year ended June 30, 2023 are as follows:

| | | |
|-------------------------------------|---------------------------|-------------------|
| Finance lease cost: | | |
| Amortization of right-of-use assets | | \$ 59,098 |
| Interest on lease liabilities | | <u>11,254</u> |
| | Total finance lease costs | 70,352 |
| Operating lease cost | | <u>109,611</u> |
| | Total lease cost | <u>\$ 179,963</u> |

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

NOTE E: LEASES, Cont'd

As of June 30, 2023, minimum payments due for lease liabilities for each of the five succeeding fiscal years are as follows:

| | Finance leases | Operating leases | Total |
|------------------------------------|-------------------|---------------------|-------------------|
| 2024 | \$ 158,388 | \$ 3,495 | \$ 161,883 |
| 2025 | 158,388 | 582 | 158,970 |
| 2026 | 158,388 | - | 158,388 |
| 2027 | 158,388 | - | 158,388 |
| 2028 | 79,194 | - | 79,194 |
| Total lease payments | 712,746 | 4,077 | 716,823 |
| Less: interest | (58,447) | (63) | (58,510) |
| Present value of lease liabilities | <u>\$ 654,299</u> | <u>\$ 4,014</u> | <u>\$ 658,313</u> |

Supplemental information for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

| | |
|---|-------------|
| Operating cash flows for finance leases | \$ 9,113 |
| Financing cash flows for finance leases | \$ (74,373) |
| Operating cash flows for operating leases | \$ 109,611 |

Right-of-use assets obtained in exchange for new lease liabilities
(non-cash):

| | |
|------------------|------------|
| Operating leases | \$ - |
| Finance leases | \$ 577,785 |

Weighted-average remaining lease term:

| | |
|------------------|------------|
| Operating leases | 1.17 years |
| Finance leases | 4.50 years |

Weighted-average discount rate:

| | |
|------------------|-------|
| Operating leases | 2.88% |
| Finance leases | 3.94% |

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

NOTE F: RETIREMENT PLAN

The Charter School sponsors a 403(b) retirement plan (the "Plan") for its employees. All employees of the Charter School are eligible to participate. The Charter School matches 100% of the employee's contributions up to \$2,520 per year. During the years ended June 30, 2023 and 2022, the Charter School contributed approximately \$275,000 and \$250,000, respectively, to the Plan.

NOTE G: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE H: CONCENTRATIONS

At June 30, 2023 and 2022, accounts receivable and grants and contracts receivables are comprised of the following:

| | June 30, | |
|------------------------------------|----------|------|
| | 2023 | 2022 |
| Federal Government | 97% | 74% |
| Mt. Vernon Department of Education | * | 21% |

* Below 10% of receivables

During the years ended June 30, 2023 and 2022, approximately 72% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE I: NET ASSETS

Net assets without donor restrictions are as follows:

| | June 30, | |
|------------------------------------|----------------------|----------------------|
| | 2023 | 2022 |
| Undesignated | \$ 11,575,500 | \$ 10,406,162 |
| Invested in property and equipment | 591,945 | 703,781 |
| | <u>\$ 12,167,445</u> | <u>\$ 11,109,943</u> |

BRONX CHARTER SCHOOL FOR BETTER LEARNING

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

NOTE I: NET ASSETS, Cont'd

Net assets with donor restrictions consisted of the following:

| | <u>June 30,</u> | |
|------------------|-----------------|-------------|
| | <u>2023</u> | <u>2022</u> |
| Scholarship fund | \$ 30,220 | \$ 31,244 |

NOTE J: FUNCTIONAL EXPENSES

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

NOTE K: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized approximately \$963,000 and \$1,056,000 of revenue relative to ESSER grants during the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023, the Charter School has approximately \$3,533,000 of ESSER grants available for expenditure through September 30, 2024.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Bronx Charter School for Better Learning

We have audited the financial statements of Bronx Charter School for Better Learning as of and for the year ended June 30, 2023, and have issued our report thereon dated October 30, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2023, as a whole.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 30, 2023

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2023

| | Bronx Charter School for Better Learning I | Bronx Charter School for Better Learning II | Eliminations | Total |
|---|---|--|--------------|----------------------|
| Revenue, gains, and other support: | | | | |
| Public school district | | | | |
| Resident student enrollment | \$ 9,644,311 | \$ 7,500,020 | \$ - | \$ 17,144,331 |
| Students with disabilities | 611,840 | 581,128 | - | 1,192,968 |
| Grants and contracts | | | | |
| State and local | 183,996 | - | - | 183,996 |
| Federal - Title and IDEA | 395,560 | 310,681 | - | 706,241 |
| Federal - other | 631,124 | 391,358 | - | 1,022,482 |
| Contributed rent | <u>2,893,293</u> | <u>2,250,006</u> | <u>-</u> | <u>5,143,299</u> |
| TOTAL REVENUE, GAINS AND OTHER SUPPORT | 14,360,124 | 11,033,193 | - | 25,393,317 |
| Expenses: | | | | |
| Program services: | | | | |
| Regular education | 10,797,485 | 7,742,625 | - | 18,540,110 |
| Special education | <u>2,154,775</u> | <u>1,543,365</u> | <u>-</u> | <u>3,698,140</u> |
| Total program services | 12,952,260 | 9,285,990 | - | 22,238,250 |
| Management and general | 992,428 | 830,960 | - | 1,823,388 |
| Fundraising and special events | <u>287,256</u> | <u>328,520</u> | <u>-</u> | <u>615,776</u> |
| TOTAL OPERATING EXPENSES | <u>14,231,944</u> | <u>10,445,470</u> | <u>-</u> | <u>24,677,414</u> |
| SURPLUS FROM SCHOOL OPERATIONS | 128,180 | 587,723 | - | 715,903 |
| Support and other revenue: | | | | |
| Contributions | | | | |
| Foundations | 186,881 | - | - | 186,881 |
| Individuals | 44,960 | 6,600 | - | 51,560 |
| Special events | 91,091 | - | - | 91,091 |
| Interest income | 10,900 | - | - | 10,900 |
| Miscellaneous income | <u>143</u> | <u>-</u> | <u>-</u> | <u>143</u> |
| TOTAL SUPPORT AND OTHER REVENUE | <u>333,975</u> | <u>6,600</u> | <u>-</u> | <u>340,575</u> |
| CHANGE IN NET ASSETS | 462,155 | 594,323 | - | 1,056,478 |
| Net assets at beginning of year | <u>5,585,092</u> | <u>5,556,095</u> | <u>-</u> | <u>11,141,187</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 6,047,247</u> | <u>\$ 6,150,418</u> | <u>\$ -</u> | <u>\$ 12,197,665</u> |

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FUNCTIONAL EXPENSES – BRONX CHARTER SCHOOL FOR BETTER LEARNING I

YEAR ENDED JUNE 30, 2023

| | | Year ended June 30, 2023 | | | | | | |
|--|---------------------|--------------------------|----------------------|----------------------|------------------------------|--------------------------------------|---------------------|----------------------|
| | | Program Services | | | Supporting Services | | | |
| | No. of Positions | Regular Education | Special Education | Sub-total | Management and general | Fundraising and special events | Sub-total | Total |
| Personnel services costs: | | | | | | | | |
| Administrative staff personnel | 5 | \$ 63,403 | \$ 23,060 | \$ 86,463 | \$ 295,701 | \$ 119,547 | \$ 415,248 | \$ 501,711 |
| Instructional personnel | 80 | 4,696,867 | 1,016,712 | 5,713,579 | - | - | - | 5,713,579 |
| Non-instructional personnel | 8 | 856,263 | 125,731 | 981,994 | 106,766 | 6,671 | 113,437 | 1,095,431 |
| Total personnel services costs | 93 | 5,616,533 | 1,165,503 | 6,782,036 | 402,467 | 126,218 | 528,685 | 7,310,721 |
| Fringe benefits and payroll taxes | | 1,408,222 | 289,713 | 1,697,935 | 130,993 | 25,003 | 155,996 | 1,853,931 |
| Retirement | | 137,387 | 28,265 | 165,652 | 12,780 | 2,439 | 15,219 | 180,871 |
| Legal service | | - | - | - | 39,156 | - | 39,156 | 39,156 |
| Accounting / audit services | | - | - | - | 30,615 | - | 30,615 | 30,615 |
| Other purchased / professional / consulting services | | 177,781 | 27,760 | 205,541 | 59,096 | 1,450 | 60,546 | 266,087 |
| In-kind rent | | 2,197,707 | 452,134 | 2,649,841 | 204,432 | 39,020 | 243,452 | 2,893,293 |
| Repairs and maintenance | | 103,087 | 21,208 | 124,295 | 9,589 | 1,830 | 11,419 | 135,714 |
| Insurance | | 68,558 | 14,104 | 82,662 | 6,377 | 1,217 | 7,594 | 90,256 |
| Utilities | | 80,122 | 16,484 | 96,606 | 7,452 | 1,423 | 8,875 | 105,481 |
| Supplies and materials | | 95,090 | 15,291 | 110,381 | 4,511 | 861 | 5,372 | 115,753 |
| Non-capitalized equipment/furnishings | | 7,858 | 1,617 | 9,475 | 730 | 140 | 870 | 10,345 |
| Staff development | | 55,516 | 11,421 | 66,937 | 5,163 | 986 | 6,149 | 73,086 |
| Marketing and recruitment | | 4,205 | 479 | 4,684 | 37,810 | - | 37,810 | 42,494 |
| Technology | | 46,289 | 9,523 | 55,812 | 4,306 | 822 | 5,128 | 60,940 |
| Food service | | 9,366 | 1,927 | 11,293 | 871 | 166 | 1,037 | 12,330 |
| Student services | | 120,433 | 13,733 | 134,166 | - | - | - | 134,166 |
| Office expense | | 111,343 | 22,907 | 134,250 | 10,357 | 1,977 | 12,334 | 146,584 |
| Depreciation and amortization | | 229,395 | 47,193 | 276,588 | 21,338 | 4,073 | 25,411 | 301,999 |
| Special events | | - | - | - | - | 78,794 | 78,794 | 78,794 |
| Interest | | 8,548 | 1,759 | 10,307 | 795 | 152 | 947 | 11,254 |
| Bad debt expense | | 281,463 | 5,816 | 287,279 | - | - | - | 287,279 |
| Other | | 38,582 | 7,938 | 46,520 | 3,590 | 685 | 4,275 | 50,795 |
| | | <u>\$ 10,797,485</u> | <u>\$ 2,154,775</u> | <u>\$ 12,952,260</u> | <u>\$ 992,428</u> | <u>\$ 287,256</u> | <u>\$ 1,279,684</u> | <u>\$ 14,231,944</u> |

BRONX CHARTER SCHOOL FOR BETTER LEARNING

STATEMENT OF FUNCTIONAL EXPENSES – BRONX CHARTER SCHOOL FOR BETTER LEARNING II

YEAR ENDED JUNE 30, 2023

| | | Year ended June 30, 2023 | | | | | | |
|--|---------------------|--------------------------|----------------------|--------------|------------------------------|--------------------------------------|--------------|--------------|
| | | Program Services | | | Supporting Services | | | |
| | No. of Positions | Regular Education | Special Education | Sub-total | Management and general | Fundraising and special events | Sub-total | Total |
| Personnel services costs: | | | | | | | | |
| Administrative staff personnel | 7 | \$ 36,009 | \$ 18,005 | \$ 54,014 | \$ 298,878 | \$ 164,348 | \$ 463,226 | \$ 517,240 |
| Instructional personnel | 65 | 3,284,233 | 738,240 | 4,022,473 | - | - | - | 4,022,473 |
| Non-instructional personnel | 9 | 845,477 | 112,098 | 957,575 | 166,841 | 15,755 | 182,596 | 1,140,171 |
| Total personnel services costs | 81 | 4,165,719 | 868,343 | 5,034,062 | 465,719 | 180,103 | 645,822 | 5,679,884 |
| Fringe benefits and payroll taxes | | 956,292 | 199,338 | 1,155,630 | 106,911 | 41,345 | 148,256 | 1,303,886 |
| Retirement | | 69,263 | 14,438 | 83,701 | 7,743 | 2,995 | 10,738 | 94,439 |
| Accounting / audit services | | - | - | - | 16,485 | - | 16,485 | 16,485 |
| Other purchased / professional / consulting services | | 95,635 | 13,978 | 109,613 | 5,633 | 1,550 | 7,183 | 116,796 |
| In-kind rent | | 1,650,190 | 343,982 | 1,994,172 | 184,488 | 71,346 | 255,834 | 2,250,006 |
| Repairs and maintenance | | 59,937 | 12,494 | 72,431 | 6,701 | 2,591 | 9,292 | 81,723 |
| Insurance | | 31,832 | 6,635 | 38,467 | 3,559 | 1,376 | 4,935 | 43,402 |
| Utilities | | 34,620 | 7,217 | 41,837 | 3,870 | 1,497 | 5,367 | 47,204 |
| Supplies and materials | | 76,194 | 11,298 | 87,492 | 3,375 | 1,305 | 4,680 | 92,172 |
| Non-capitalized equipment/furnishings | | 1,529 | 319 | 1,848 | 171 | 66 | 237 | 2,085 |
| Staff development | | 38,623 | 8,051 | 46,674 | 4,318 | 1,670 | 5,988 | 52,662 |
| Marketing and recruitment | | 17,844 | 3,379 | 21,223 | 1,613 | 624 | 2,237 | 23,460 |
| Technology | | 9,317 | - | 9,317 | - | - | - | 9,317 |
| Food service | | 13,144 | 2,740 | 15,884 | 1,470 | 568 | 2,038 | 17,922 |
| Student services | | 77,229 | 8,402 | 85,631 | - | - | - | 85,631 |
| Office expense | | 66,962 | 13,958 | 80,920 | 7,486 | 2,895 | 10,381 | 91,301 |
| Depreciation and amortization | | 90,206 | 18,804 | 109,010 | 10,085 | 3,900 | 13,985 | 122,995 |
| Special events | | - | - | - | - | 14,144 | 14,144 | 14,144 |
| Bad debt expense | | 275,491 | 7,363 | 282,854 | - | - | - | 282,854 |
| Other | | 12,598 | 2,626 | 15,224 | 1,333 | 545 | 1,878 | 17,102 |
| | | \$ 7,742,625 | \$ 1,543,365 | \$ 9,285,990 | \$ 830,960 | \$ 328,520 | \$ 1,159,480 | \$10,445,470 |

BRONX CHARTER SCHOOL FOR BETTER LEARNING

BRONX, NEW YORK

SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS AND
THE UNIFORM GUIDANCE

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2023



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BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Bronx Charter School for Better Learning

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Bronx Charter School for Better Learning, which comprise the statement of financial position as of June 30, 2023 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated October 30, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bronx Charter School for Better Learning's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bronx Charter School for Better Learning's internal control. Accordingly, we do not express an opinion on the effectiveness of Bronx Charter School for Better Learning's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bronx Charter School for Better Learning's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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.

Mengel, Metzger, Bar & Co. LLP

Rochester, New York
October 30, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
Bronx Charter School for Better Learning

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bronx Charter School for Better Learning's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Bronx Charter School for Better Learning's major federal programs for the year ended June 30, 2023. Bronx Charter School for Better Learning's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Bronx Charter School for Better Learning complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Bronx Charter School for Better Learning and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Bronx Charter School for Better Learning's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Bronx Charter School for Better Learning's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Bronx Charter School for Better Learning's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance Bronx Charter School for Better Learning's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Bronx Charter School for Better Learning's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Bronx Charter School for Better Learning's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Bronx Charter School for Better Learning's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Bronx Charter School for Better Learning as of and for the year ended June 30, 2023, and have issued our report thereon dated October 30, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 30, 2023

BRONX CHARTER SCHOOL FOR BETTER LEARNING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

| | Federal AL Number | Pass-through Grantor's Number | Total Federal Expenditures |
|---|-------------------------|-------------------------------------|----------------------------------|
| U.S. Department of Education: | | | |
| <u>Passed through New York State Education Department:</u> | | | |
| Title I - Grants to Local Educational Agencies | 84.010 | 0021 | \$ 513,036 |
| Title IIA - Improving Teacher Quality | 84.367 | 0147 | 58,579 |
| Title IV - Student Support and Academic Enrichment Program | 84.424 | 0204 | 40,089 |
| <u>Education Stabilization Funds -</u> | | | |
| ESSER II - Elementary and Secondary School Emergency Relief Fund | 84.425D | 5891 | 443,076 |
| ARP ESSER - American Rescue Plan-Elementary and Secondary School Emergency Relief | 84.425U | 5880 | 517,716 |
| ARP ESSER HCY - American Rescue Plan-Elementary and Secondary School Emergency Relief - Homeless Children and Youth | 84.425W | 5218 | <u>2,548</u> |
| <i>Total Education Stabilization Funds</i> | | | <u>963,340</u> |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | <u>1,575,044</u> |
| TOTAL ALL PROGRAMS | | | <u><u>\$ 1,575,044</u></u> |

NOTE A: BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of Bronx Charter School for Better Learning and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Bronx Charter School for Better Learning has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

BRONX CHARTER SCHOOL FOR BETTER LEARNING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

| | |
|---|--------------------------------------|
| Type of auditor's report issued: | Unmodified |
| Internal control over financial reporting: | |
| • Material weakness (es) identified? | _____ yes <u> x </u> no |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ yes <u> x </u> none reported |
| Noncompliance material to financial statements noted? | _____ yes <u> x </u> no |

Federal Awards

| | |
|--|--------------------------------------|
| Internal control over major programs: | |
| • Material weakness (es) identified? | _____ yes <u> x </u> no |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ yes <u> x </u> none reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? | _____ yes <u> x </u> no |

Identification of major program:

AL Number:

84.425D, 84.425U & 84.425W

Name of Federal Program or Cluster:

ESSER II, ARP ESSER & ARP ESSER HCY

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

| | |
|--|------------------------------|
| Auditee qualified as low-risk auditee? | <u> x </u> yes _____ no |
|--|------------------------------|

BRONX CHARTER SCHOOL FOR BETTER LEARNING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2023

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.