



Storefront Academy Charter School dba Storefront Academy Charter School South Bronx

**Independent Auditor's Reports, Financial Statements,
and Supplementary Information**

June 30, 2025 and 2024



Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Contents
June 30, 2025 and 2024

Independent Auditor’s Report.....	1
Financial Statements	
Statements of Financial Position.....	4
Statements of Activities	5
Statement of Functional Expenses – 2025	6
Statement of Functional Expenses – 2024	7
Statements of Cash Flows	8
Notes to Financial Statements	9
Supplementary Information	
Schedule of Activities by Location.....	17
Schedule of Functional Expenses – Harlem	18
Schedule of Functional Expenses – South Bronx.....	19
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor’s Report	20
Schedule of Findings and Responses	22
Summary Schedule of Prior Audit Findings	23

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 (the School), which comprise the statements of financial position as of June 30, 2025 and 2024, 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, 2025 and 2024, 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 dba Storefront Academy Charter School South Bronx, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the School's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming the School will continue as a going concern. As discussed in Note 7 to the financial statements, the School has suffered recurring losses from operations and has stated that substantial doubt exists about the School's ability to continue as a going concern. Management's evaluation of the conditions and events and management's plans regarding these matters are also described in Note 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. 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.

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, 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 October 20, 2025 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 Mazars, LLP

**New York, New York
October 20, 2025**

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Statements of Financial Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash	\$ 5,626	\$ 357,454
Contributions and government grants receivable, net of allowance 2025 – \$84,357, 2024 – \$0	228,993	551,744
Prepaid expenses and other assets	<u>55,909</u>	<u>263,903</u>
Total Current Assets	290,528	1,173,101
Noncurrent Assets		
Restricted cash	7,243	150,215
Security deposit	650,000	300,000
Property and equipment, net	1,169,269	1,347,827
Right-of-use asset operating lease	<u>27,818,009</u>	<u>29,179,688</u>
Total Assets	<u><u>\$ 29,935,049</u></u>	<u><u>\$ 32,150,831</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 337,253	\$ 163,699
Rent payable	765,588	915,588
Accrued salaries and related liabilities	449,150	577,591
Deferred revenue	135,520	-
Operating lease liability – current portion	<u>1,872,249</u>	<u>1,451,776</u>
Total Current Liabilities	3,559,760	3,108,654
Noncurrent Liability		
Operating lease liability	<u>28,039,845</u>	<u>29,153,599</u>
Total Liabilities	31,599,605	32,262,253
Net Assets Without Donor Restrictions	<u>(1,664,556)</u>	<u>(111,422)</u>
Total Liabilities and Net Assets	<u><u>\$ 29,935,049</u></u>	<u><u>\$ 32,150,831</u></u>

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Statements of Activities
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Revenues and Other Support		
Per-pupil operating revenue – resident student enrollment	\$ 6,886,520	\$ 6,591,545
Per-pupil operating revenue – students with disabilities	1,082,018	1,098,909
New York City Department of Education (NYCDOE) rental assistance revenue	<u>1,463,403</u>	<u>1,406,362</u>
Total state and local per-pupil operating revenues	9,431,941	9,096,816
Government grants and contracts – federal	690,705	456,157
Government grants and contracts – state	23,836	-
Contributions	273,738	324,870
Interest	28	30
Other revenues	<u>27,848</u>	<u>30,393</u>
Total Revenues and Other Support	<u>10,448,096</u>	<u>9,908,266</u>
Expenses		
Program services		
General education	7,148,341	6,583,964
Special education	<u>2,666,132</u>	<u>2,432,747</u>
Total program services	9,814,473	9,016,711
Supporting services		
Management and general	<u>2,186,757</u>	<u>1,804,040</u>
Total Expenses	<u>12,001,230</u>	<u>10,820,751</u>
Change in Net Assets Before Impairment of Right-of-Use Asset	(1,553,134)	(912,485)
Impairment of right-of-use asset	<u>-</u>	<u>865,588</u>
Change in Net Assets	(1,553,134)	(1,778,073)
Net Assets Without Donor Restrictions, Beginning of Year	<u>(111,422)</u>	<u>1,666,651</u>
Net Assets (Deficit) Without Donor Restrictions, End of Year	<u><u>\$ (1,664,556)</u></u>	<u><u>\$ (111,422)</u></u>

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Statement of Functional Expenses
Year Ended June 30, 2025

	**	Program Services			Supporting Services	
	No. of Positions	General Education	Special Education	Total	Management and General	Total
Personnel service costs						
Administrative personnel	15	\$ 657,152	\$ 177,816	\$ 834,968	\$ 991,907	\$ 1,826,875
Instructional personnel	40	1,789,338	1,074,503	2,863,841	-	2,863,841
Noninstructional personnel	8	-	-	-	385,072	385,072
Total personnel service costs	<u>63</u>	<u>2,446,490</u>	<u>1,252,319</u>	<u>3,698,809</u>	<u>1,376,979</u>	<u>5,075,788</u>
Payroll taxes and employee benefits		544,811	271,175	815,986	301,661	1,117,647
Legal fees		-	-	-	29,927	29,927
Audit fees		-	-	-	57,355	57,355
Professional fees		449,604	122,996	572,600	36,302	608,902
Repairs and maintenance		261,942	71,859	333,801	25,894	359,695
Curriculum and classroom		156,502	42,446	198,948	-	198,948
Student services		208,599	57,008	265,607	-	265,607
Food services		270,442	73,749	344,191	-	344,191
Staff development		57,572	15,634	73,206	6,156	79,362
Equipment and furnishings		34,570	9,346	43,916	3,821	47,737
Office expense		87,021	23,623	110,644	9,331	119,975
Rent and property tax		1,906,082	526,999	2,433,081	176,449	2,609,530
Utilities		148,715	41,565	190,280	12,457	202,737
Information technology		119,140	32,388	151,528	12,642	164,170
Marketing and recruiting		90,286	24,549	114,835	9,565	124,400
Insurance		89,956	24,623	114,579	9,055	123,634
Depreciation and amortization		173,161	47,420	220,581	17,362	237,943
Interest expense		489	131	620	57	677
Bad debt expense		-	-	-	91,728	91,728
Other expenses		<u>102,959</u>	<u>28,302</u>	<u>131,261</u>	<u>10,016</u>	<u>141,277</u>
Total expenses reported by function on the statements of activities		<u>\$ 7,148,341</u>	<u>\$ 2,666,132</u>	<u>\$ 9,814,473</u>	<u>\$ 2,186,757</u>	<u>\$ 12,001,230</u>

** Supplemental information

See Notes to Financial Statements

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Statement of Functional Expenses
Year Ended June 30, 2024

	**	Program Services			Supporting Services	
	No. of Positions	General Education	Special Education	Total	Management and General	Total
Personnel service costs						
Administrative personnel	19	\$ 717,240	\$ 196,256	\$ 913,496	\$ 736,314	\$ 1,649,810
Instructional personnel	40	1,990,846	1,028,750	3,019,596	-	3,019,596
Noninstructional personnel	7	-	-	-	375,564	375,564
Total personnel service costs	<u>66</u>	<u>2,708,086</u>	<u>1,225,006</u>	<u>3,933,092</u>	<u>1,111,878</u>	<u>5,044,970</u>
Payroll taxes and employee benefits		533,455	242,370	775,825	219,586	995,411
Legal fees		-	-	-	17,749	17,749
Audit fees		-	-	-	46,882	46,882
Professional fees		620,742	176,585	797,327	58,605	855,932
Repairs and maintenance		98,730	29,340	128,070	12,584	140,654
Curriculum and classroom		190,580	51,768	242,348	-	242,348
Student services		80,119	22,502	102,621	-	102,621
Food services		9,486	2,530	12,016	-	12,016
Staff development		124,351	33,427	157,778	14,225	172,003
Equipment and furnishings		9,181	2,477	11,658	1,055	12,713
Office expense		60,108	16,779	76,887	7,161	84,048
Rent and property tax		1,557,833	458,690	2,016,523	196,593	2,213,116
Utilities		98,337	30,082	128,419	12,929	141,348
Information technology		103,886	28,482	132,368	12,140	144,508
Marketing and recruiting		112,809	32,316	145,125	13,821	158,946
Insurance		79,148	23,513	102,661	10,084	112,745
Depreciation and amortization		183,447	52,774	236,221	22,579	258,800
Bad debt expense		-	-	-	45,171	45,171
Other expenses		13,666	4,106	17,772	998	18,770
Total expenses reported by function on the statements of activities		<u>\$ 6,583,964</u>	<u>\$ 2,432,747</u>	<u>\$ 9,016,711</u>	<u>\$ 1,804,040</u>	<u>\$ 10,820,751</u>

** Supplemental information

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Activities		
Change in net assets	\$ (1,553,134)	\$ (1,778,073)
Items not requiring (providing) operating cash flows		
Bad debt expense	91,728	45,171
Depreciation and amortization	237,943	258,800
Impairment of right to use asset	-	865,588
Noncash operating lease expense	1,361,679	1,387,742
Changes in		
Contributions and government grants receivable	231,023	(224,810)
Prepaid expenses and other assets	207,994	(217,760)
Security deposit	(350,000)	(300,000)
Accounts payable and accrued expenses	173,554	22,725
Deferred revenue	135,520	-
Accrued salaries and related liabilities	(128,441)	197,728
Rent payable	(150,000)	-
Change in lease liability	(693,281)	(345,097)
Net Cash Used in Operating Activities	<u>(435,415)</u>	<u>(87,986)</u>
Investing Activities		
Purchase of property and equipment	<u>(59,385)</u>	<u>(507,900)</u>
Net Cash Used in Investing Activities	<u>(59,385)</u>	<u>(507,900)</u>
Change in Cash and Restricted Cash	(494,800)	(595,886)
Cash and Restricted Cash, Beginning of Year	<u>507,669</u>	<u>1,103,555</u>
Cash and Restricted Cash, End of Year	<u><u>\$ 12,869</u></u>	<u><u>\$ 507,669</u></u>
Cash and Restricted Cash Consist of		
Cash	\$ 5,626	\$ 357,454
Restricted Cash	<u>7,243</u>	<u>150,215</u>
	<u><u>\$ 12,869</u></u>	<u><u>\$ 507,669</u></u>
Supplemental Cash Flows Information		
Cash paid for interest	\$ 677	\$ 290
ROU assets obtained in exchange for new operating lease liabilities	\$ -	\$ 26,338,306

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. On March 15, 2023, the expiration of the charter was updated to by the New York State Board of Regents through July 31, 2028.

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 2025 and 2024, the School operated classes for approximately 333 and 359 full-time equivalent general instruction students, respectively, of which 93 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 2025 and 2024, SACSH operated classes for approximately 89 and 90 full-time equivalent general instruction students, of which 31 and 22 were special education students, respectively. SACSH was issued a charter which expires on July 31, 2027.

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.

Restricted Cash

Deposit accounts restricted externally by regulators are considered to be restricted cash.

Cash Reserves

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

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2025 and 2024

Grants Receivable

Revenues from government grants 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. The School had an allowance of \$84,357 and \$0 as of June 30, 2025 and 2024, respectively.

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 amortized 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 to 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 year ended June 30, 2025.

The School determined that they could not use the existing space leased in Harlem for school activities due to modifications required by the Board of Education. As a result, the right-of-use asset was impaired in 2024.

Leases

The School determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (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.

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2025 and 2024

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.

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.

State and Local Per-Pupil Revenue

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

Contributions

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

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

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

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.

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2025 and 2024

Conditional contributions 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, 2025 and 2024 were without donor restrictions.

As of June 30, 2025, \$135,520 received from conditional contributions were recorded as a liability. As of June 30, 2024, there were no conditional contributions received that were recorded as a liability.

Deferred Revenue

Revenue from conditional contributions is deferred and recognized as donor imposed barriers are met.

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.

Note 2. Property and Equipment

Property and equipment as of June 30 consist of:

	<u>2025</u>	<u>2024</u>
Leasehold improvement	\$ 1,022,926	\$ 965,079
Furniture and fixtures	395,095	395,095
Equipment	502,405	500,867
Computers	424,300	424,300
Library books	445,999	445,999
	<u>2,790,725</u>	<u>2,731,340</u>
Accumulated depreciation and amortization	<u>(1,621,456)</u>	<u>(1,383,513)</u>
	<u>\$ 1,169,269</u>	<u>\$ 1,347,827</u>

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2025 and 2024

Note 3. Leases

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.

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. In July 2023, 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.

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. The School continues to accrue a liability for the lease payments even though they are no longer using the old leased space. The liability as of June 30, 2025 and 2024 was \$765,588 and \$915,588, respectively. The right-of-use asset has been written down in 2024 due to impairment.

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.

As of June 30, 2025, the School has entered into an additional lease for building space that has not commenced with total future payments of \$81,219,440. This lease has a target commencement date of the 2026–2027 school year.

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.

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2025 and 2024

Quantitative Disclosures

The lease cost and other required information for the years ended June 30, 2025 and 2024 are:

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 2,540,646	\$ 2,494,422
Total lease cost	<u>\$ 2,540,646</u>	<u>\$ 2,494,422</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 1,872,249	\$ 1,451,776
ROU assets obtained in exchange for new operating lease liabilities	\$ -	\$ 26,338,306
Weighted-average remaining lease term		
Operating leases	27.66 years	27.89 years
Weighted-average discount rate		
Operating leases	3.96%	3.94%

Future minimum lease payments and reconciliation to the statement of financial position at June 30, 2025 are as follows:

	<u>Leases</u>
2026	\$ 2,184,823
2027	2,075,646
2028	2,181,364
2029	1,296,250
2030	1,322,175
Thereafter	<u>43,559,368</u>
Total undiscounted lease payments	52,619,626
Less imputed interest	<u>(22,707,532)</u>
Lease liabilities	<u>\$ 29,912,094</u>

Note 4. 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, 2025 and 2024.

Note 5. 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 95% of its operating revenues through its charters from New York State for the years ended June 30, 2025 and 2024, respectively.

Note 6. 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, 2025 and 2024, comprise the following:

	<u>2025</u>	<u>2024</u>
Current financial assets at year-end		
Cash	\$ 5,626	\$ 357,454
Contributions and government grants receivable	<u>228,993</u>	<u>551,744</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 234,619</u></u>	<u><u>\$ 909,198</u></u>

The financial assets of the School without donor restrictions or restricted by state laws are available for general expenditures. During the years ended June 30, 2025 and 2024, the level of liquidity and reserves was managed within the policy requirements.

Note 7. Management’s Consideration of Going Concern Matters

The School had suffered operating losses of approximately \$1.5 million and approximately \$1.8 million in 2025 and 2024, respectively. As a result, the School’s net assets without donor restrictions and working capital is negative as of June 30, 2025 and 2024. Management anticipates significant growth in student enrollment to continue in their Harlem campus and some growth in its Bronx campus as well.

Fiscal 2025 was a growing year and incurred some nonrecurring costs as well to help set up the new Harlem campus. These costs are not anticipated to continue in 2026 and thereafter. A key driver of the net asset movement in 2024 related to the Harlem campus expensing two facilities leases. The School is negotiating with the landlord in good faith to eliminate or reduce the original lease obligation. Additionally, the South Bronx signed an agreement for a 32-year lease for a new facility with a target lease commencement date of the 2026–2027 school year, necessitating a \$350,000 security deposit.

Management obtained renewal of its existing charter in the Bronx until 2028, and anticipates renewal at that time. However, there can be no assurance that the School will be successful in achieving its objective.

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2025 and 2024

The accompanying financial statements have been prepared assuming that the School will continue as a going concern; however, the above conditions raise substantial doubt about the School's ability to do so. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the School be unable to continue as a going concern.

Note 8. Subsequent Events

Subsequent events have been evaluated through October 20, 2025, which is the date the financial statements were available to be issued.

Supplementary Information

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx
Schedule of Activities by Location
Year Ended June 30, 2025

	<u>Harlem</u>	<u>South Bronx</u>	<u>Total</u>
Revenues and Other Support			
Per-pupil operating revenue – resident student enrollment	\$ 1,926,720	\$ 4,959,800	\$ 6,886,520
Per-pupil operating revenue – students with disabilities	427,483	654,535	1,082,018
New York City Department of Education (NYCDOE) rental assistance revenue	<u>565,876</u>	<u>897,527</u>	<u>1,463,403</u>
Total state and local per-pupil operating revenues	2,920,079	6,511,862	9,431,941
Government grants and contracts – federal	184,866	505,839	690,705
Government grants and contracts – state	23,836		23,836
Contributions	136,242	137,496	273,738
Interest	-	28	28
Other revenues	<u>5,260</u>	<u>22,588</u>	<u>27,848</u>
Total Operating Revenues and Other Support	<u>3,270,283</u>	<u>7,177,813</u>	<u>10,448,096</u>
Expenses			
Program services			
General education	2,693,935	4,454,406	7,148,341
Special education	<u>1,080,842</u>	<u>1,585,290</u>	<u>2,666,132</u>
Total program services	3,774,777	6,039,696	9,814,473
Supporting services			
Management and general	<u>597,418</u>	<u>1,589,339</u>	<u>2,186,757</u>
Total Expenses	<u>4,372,195</u>	<u>7,629,035</u>	<u>12,001,230</u>
Change in Net Assets	(1,101,912)	(451,222)	(1,553,134)
Net Assets (Deficit) Without Donor Restrictions, Beginning of Year	<u>(2,951,625)</u>	<u>2,840,203</u>	<u>(111,422)</u>
Net Assets (Deficit) Without Donor Restrictions, End of Year	<u><u>\$ (4,053,537)</u></u>	<u><u>\$ 2,388,981</u></u>	<u><u>\$ (1,664,556)</u></u>

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx
Schedule of Functional Expenses – Harlem
Year Ended June 30, 2025

	No. of Positions	Program Services			Supporting Services	Total
		General Education	Special Education	Total	Management and General	
Personnel service costs						
Administrative personnel	2	\$ 122,935	\$ 34,558	\$ 157,493	\$ 243,409	\$ 400,902
Instructional personnel	11	333,118	366,617	699,735	-	699,735
Noninstructional personnel	3	-	-	-	121,680	121,680
Total personnel service costs	<u>16</u>	456,053	401,175	857,228	365,089	1,222,317
Payroll taxes and employee benefits		84,516	74,345	158,861	67,658	226,519
Legal fees		-	-	-	3,572	3,572
Audit fees		-	-	-	14,339	14,339
Professional fees		187,615	52,740	240,355	8,261	248,616
Repairs and maintenance		124,835	35,092	159,927	9,871	169,798
Curriculum and classroom		36,920	10,378	47,298	-	47,298
Student services		82,584	23,215	105,799	-	105,799
Food services		94,719	26,626	121,345	-	121,345
Staff development		15,130	4,253	19,383	1,196	20,579
Equipment and furnishings		5,805	1,632	7,437	459	7,896
Office expense		22,185	6,236	28,421	1,754	30,175
Rent and property tax		1,225,246	344,423	1,569,669	96,884	1,666,553
Utilities		130,252	36,614	166,866	10,299	177,165
Information technology		33,906	9,531	43,437	2,681	46,118
Marketing and recruiting		26,109	7,339	33,448	2,065	35,513
Insurance		38,575	10,844	49,419	3,050	52,469
Depreciation and amortization		76,076	21,385	97,461	6,016	103,477
Other		53,409	15,014	68,423	4,224	72,647
Total expenses reported by function on the statements of activities		<u>\$ 2,693,935</u>	<u>\$ 1,080,842</u>	<u>\$ 3,774,777</u>	<u>\$ 597,418</u>	<u>\$ 4,372,195</u>

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx
Schedule of Functional Expenses – South Bronx
Year Ended June 30, 2025

	No. of Positions	Program Services			Supporting Services	Total
		General Education	Special Education	Total	Management and General	
Personnel service costs						
Administrative personnel	13	\$ 534,217	\$ 143,258	\$ 677,475	\$ 748,498	\$ 1,425,973
Instructional personnel	29	1,456,220	707,886	2,164,106	-	2,164,106
Noninstructional personnel	5	-	-	-	263,392	263,392
Total personnel service costs	<u>47</u>	1,990,437	851,144	2,841,581	1,011,890	3,853,471
Payroll taxes and employee benefits		460,295	196,830	657,125	234,003	891,128
Legal fees		-	-	-	26,355	26,355
Audit fees		-	-	-	43,016	43,016
Professional fees		261,989	70,256	332,245	28,041	360,286
Repairs and maintenance		137,107	36,767	173,874	16,023	189,897
Curriculum and classroom		119,582	32,068	151,650	-	151,650
Student services		126,015	33,793	159,808	-	159,808
Food services		175,723	47,123	222,846	-	222,846
Staff development		42,442	11,381	53,823	4,960	58,783
Equipment and furnishings		28,765	7,714	36,479	3,362	39,841
Office expense		64,836	17,387	82,223	7,577	89,800
Rent and property tax		680,836	182,576	863,412	79,565	942,977
Utilities		18,463	4,951	23,414	2,158	25,572
Information technology		85,234	22,857	108,091	9,961	118,052
Marketing and recruiting		64,177	17,210	81,387	7,500	88,887
Insurance		51,381	13,779	65,160	6,005	71,165
Depreciation and amortization		97,085	26,035	123,120	11,346	134,466
Interest expense		489	131	620	57	677
Bad debt expense		-	-	-	91,728	91,728
Other expenses		49,550	13,288	62,838	5,792	68,630
Total expenses reported by function on the statements of activities		<u>\$ 4,454,406</u>	<u>\$ 1,585,290</u>	<u>\$ 6,039,696</u>	<u>\$ 1,589,339</u>	<u>\$ 7,629,035</u>

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with 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 (*Government Auditing Standards*), 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, 2025, 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 October 20, 2025, which contained an Emphasis of Matter paragraph regarding substantial doubt about the entity to continue as a going concern.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. However, material weaknesses or significant deficiencies may exist that were not identified.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2025-001.

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 finding 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 Mazars, LLP

New York, New York
October 20, 2025

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Schedule of Findings and Responses
Year Ended June 30, 2025

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2025-001	Escrow Account Criteria or Specific Requirement Per Section 8.9 of the School's charter agreement, the School is required to maintain an escrow account to pay for legal and audit expenses that would be associated with a dissolution should it occur. The School is required to deposit \$25,000 each of the first three years until there is \$75,000 in the account and maintain a total balance of \$75,000 for each location. Condition As of June 30, 2025, the School maintained an escrow balance of approximately \$7,000, which is below the minimum funding requirement of \$150,000. Effect The School was not in compliance with a requirement of the New York State Education Department. Cause Management oversight of the requirement. Recommendation We recommend that the School fund the escrow account at the required amount. Views of Responsible Officials and Planned Corrective Actions Agree with the finding; subsequent to year-end, the School properly funded the escrow account.

Storefront Academy Charter School
 dba Storefront Academy Charter School South Bronx
 Summary Schedule of Prior Audit Findings
 Year Ended June 30, 2024

Reference Number	Finding	
2024-001	<i>Per-Pupil Revenue – Lack of Documentation for Proof of Residence</i> Under the New York State Charter School Audit Guidelines, the School must obtain valid proof of residency for students and ensure that the proper district is being billed for services. During our per-pupil testing, we noted that the School did not have proper support to prove student's residence for 1 out of 40 students sampled.	Resolved
2024-002	<i>Revenue Recognition</i> Revenues from conditional contributions should be recognized when all the conditions associated with the contribution are met. The School recognized revenue from a foundation contribution in fiscal year 2024 prior to the conditions being met.	Resolved