

Bronx Community Charter School

Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Reports

June 30, 2022 and 2021

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Independent Auditors' Report

**Board of Trustees
Bronx Community Charter School**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Bronx Community Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bronx Community Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Bronx Community Charter School'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 Community Charter School's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2022, on our consideration of Bronx Community Charter School'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 Bronx Community Charter School'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 Bronx Community Charter School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 11, 2022

Bronx Community Charter School

Statements of Financial Position

	June 30,	
	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash	\$ 4,620,768	\$ 5,256,028
Grants and contracts receivable	417,232	435,838
Prepaid expenses and other current assets	<u>282,326</u>	<u>214,564</u>
Total Current Assets	5,320,326	5,906,430
Property and equipment, net	1,455,083	1,252,640
Security deposits	208,308	208,308
Restricted cash	<u>75,455</u>	<u>75,440</u>
	<u>\$ 7,059,172</u>	<u>\$ 7,442,818</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 584,621	\$ 586,787
Accrued payroll and payroll taxes	806,761	704,777
Refundable advances	<u>167,887</u>	<u>35,000</u>
Total Current Liabilities	1,559,269	1,326,564
Deferred rent	<u>614,263</u>	<u>644,970</u>
Total Liabilities	2,173,532	1,971,534
Net assets, without donor restrictions	<u>4,885,640</u>	<u>5,471,284</u>
	<u>\$ 7,059,172</u>	<u>\$ 7,442,818</u>

See notes to financial statements

Bronx Community Charter School

Statements of Activities

	Year Ended June 30,	
	2022	2021
REVENUE AND SUPPORT		
State and local per pupil operating revenue	\$ 9,189,944	\$ 9,864,108
State and local per pupil facilities funding	938,348	934,615
Federal grants	1,686,671	612,216
Federal E-Rate and IDEA	139,945	117,974
State grants	40,200	37,042
Contributions and grants	110,149	104,599
Other income	22,306	10,393
Total Revenue and Support	12,127,563	11,680,947
EXPENSES		
Program Services		
Regular education	10,817,134	9,186,734
Special education	1,086,819	1,183,472
Total Program Services	11,903,953	10,370,206
Supporting Services		
Management and general	797,873	765,971
Fundraising	11,381	13,113
Total Expenses	12,713,207	11,149,290
Gain on forgiveness of Paycheck Protection Program loan	-	1,504,900
Change in Net Assets	(585,644)	2,036,557
NET ASSETS		
Beginning of year	5,471,284	3,434,727
End of year	\$ 4,885,640	\$ 5,471,284

See notes to financial statements

Bronx Community Charter School

Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services			Management and General	Fundraising	Total
	Regular Education	Special Education	Total			
Salaries	\$ 6,484,098	\$ 683,329	\$ 7,167,427	\$ 490,565	\$ 7,873	\$ 7,665,865
Employee benefits and payroll taxes	1,859,883	179,771	2,039,654	102,573	819	2,143,046
Consultants - educational	25,110	1,890	27,000	-	-	27,000
Consultants - other	48,588	4,967	53,555	9,706	-	63,261
Staff training and development	208,955	19,077	228,032	4,893	-	232,925
Legal	-	-	-	2,133	-	2,133
Auditing and accounting fees	-	-	-	43,770	-	43,770
Travel and entertainment	3,298	286	3,584	91	-	3,675
Field trips	12,393	933	13,326	-	-	13,326
Parent/student involvement	81,241	6,244	87,485	-	-	87,485
Books and curriculum	41,399	6,274	47,673	-	-	47,673
Classroom supplies	392,885	29,880	422,765	76	-	422,841
Office expense	64,057	7,589	71,646	8,437	-	80,083
Equipment lease and maintenance	17,651	1,708	19,359	1,426	3	20,788
Repairs and maintenance	259,539	27,199	286,738	17,972	-	304,710
Telephone and internet service	77,658	8,138	85,796	5,835	-	91,631
Postage and delivery	-	-	-	292	292	584
Insurance	59,989	5,586	65,575	3,612	-	69,187
Facility expense	930,861	81,668	1,012,529	80,576	2,345	1,095,450
Information technology	40,284	3,685	43,969	9,208	-	53,177
Depreciation and amortization	209,245	18,595	227,840	16,271	-	244,111
Miscellaneous	-	-	-	437	49	486
Total Expenses	\$ 10,817,134	\$ 1,086,819	\$ 11,903,953	\$ 797,873	\$ 11,381	\$ 12,713,207

See notes to financial statements

Bronx Community Charter School

Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services			Management and General	Fundraising	Total
	Regular Education	Special Education	Total			
Salaries	\$ 5,647,885	\$ 850,047	\$ 6,497,932	\$ 470,397	\$ 9,445	\$ 6,977,774
Employee benefits and payroll taxes	1,664,275	169,077	1,833,352	96,278	927	1,930,557
Consultants - educational	73,097	5,824	78,921	-	-	78,921
Consultants - other	17,332	1,750	19,082	1,027	-	20,109
Staff training and development	105,701	8,733	114,434	3,992	-	118,426
Legal	-	-	-	10,000	-	10,000
Auditing and accounting fees	-	-	-	35,542	-	35,542
Travel and entertainment	91	10	101	6	-	107
Parent/student involvement	16,570	2,253	18,823	-	-	18,823
Books and curriculum	34,449	2,593	37,042	-	-	37,042
Classroom supplies	138,646	10,162	148,808	-	-	148,808
Office expense	46,889	4,251	51,140	4,910	-	56,050
Equipment lease and maintenance	14,126	1,328	15,454	1,221	-	16,675
Repairs and maintenance	142,968	14,132	157,100	36,703	-	193,803
Telephone and internet service	56,229	5,682	61,911	4,310	-	66,221
Postage and delivery	485	50	535	475	110	1,120
Insurance	51,871	5,413	57,284	3,497	-	60,781
Facility expense	875,588	75,569	951,157	79,035	2,558	1,032,750
Information technology	120,983	8,003	128,986	1,885	-	130,871
Depreciation and amortization	179,549	18,595	198,144	16,270	-	214,414
Miscellaneous	-	-	-	423	73	496
Total Expenses	\$ 9,186,734	\$ 1,183,472	\$ 10,370,206	\$ 765,971	\$ 13,113	\$ 11,149,290

See notes to financial statements

Bronx Community Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (585,644)	\$ 2,036,557
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	244,111	214,414
Gain on forgiveness of Paycheck Protection Program loan	-	(1,504,900)
Deferred rent	(30,707)	(28,819)
Changes in operating assets and liabilities		
Grants and contracts receivable	18,606	(212,162)
Prepaid expenses and other current assets	(67,762)	58,207
Accounts payable and accrued expenses	(2,166)	127,073
Accrued payroll and payroll taxes	101,984	35,584
Refundable advances	132,887	(2,808)
Net Cash from Operating Activities	(188,691)	723,146
 CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(446,554)	(79,669)
 Net Change in Cash and Restricted Cash	(635,245)	643,477
 CASH AND RESTRICTED CASH		
Beginning of year	5,331,468	4,687,991
 End of year	\$ 4,696,223	\$ 5,331,468

See notes to financial statements

Bronx Community Charter School

Notes to Financial Statements
June 30, 2022 and 2021

1. Organization and Tax Status

Bronx Community Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on January 15, 2008 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on January 15, 2008 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York (the "Board of Regents"). During the year ended June 30, 2020, the Board of Regents extended the School's charter for an additional five-year term expiring on June 30, 2025. The School is a small learning community founded on the principle that children learn best when they are active participants in their own learning. The students raise questions about the world around them, engage with a wide range of materials, and learn through their interactions with each other and all of the adults in the School community. Classes commenced in the Bronx, New York, in August 2008 and the School provided education to approximately 471 students in kindergarten through eighth grade in the 2021-2022 academic year.

The New York City Department of Education provides free lunches directly to the School's students. Such costs are not included in these financial statements. The Office of Pupil Transportation provides free transportation to the majority of the students during the district's school days.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees.

Bronx Community Charter School

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies *(continued)*

Net Asset Presentation (continued)

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, 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. The School had no net assets with donor restrictions as of June 30, 2022 and 2021.

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position to the amounts presented in the statements of cash flows as of June 30:

	<u>2022</u>	<u>2021</u>
Cash	\$ 4,620,768	\$ 5,256,028
Restricted cash	<u>75,455</u>	<u>75,440</u>
	<u>\$ 4,696,223</u>	<u>\$ 5,331,468</u>

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Computers and other equipment	3 years
Furniture and fixtures	7 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2022 and 2021.

Bronx Community Charter School

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue. The School also records grants received prior to satisfaction of grant conditions as refundable advances.

Deferred Rent

The School records its rent in accordance with U.S. GAAP guidance whereby all rental payments, including fixed rent increases, are recognized on a straight-line basis as an offset to rent expense. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentives, is reflected in deferred rent in the accompanying statements of financial position.

Revenue and Support

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as revenue without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2019.

Bronx Community Charter School

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 11, 2022.

3. Conditional Promise To Give

During the year ended June 30, 2022, the School received a private grant totaling \$263,760 for a summer learning program. The grant contains donor conditions related to specific performance measurements. Since the grant represents a conditional promise to give, it is not recognized as contributions and grants revenue until donor conditions are met. Donor conditions were not met during the year ended June 30, 2022. At June 30, 2022, the School recorded an advance of \$115,654 on this grant as refundable advances in the statements of financial position.

4. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state, city entitlements and grants. The School expects to collect these receivables within one year. Management has assessed the need for an allowance and has determined that such an allowance is not necessary.

5. Property and Equipment

Property and equipment, net consists of the following at June 30:

	2022	2021
Computers and other equipment	\$ 555,979	\$ 500,442
Furniture and fixtures	239,219	229,363
Leasehold improvements	2,322,679	1,941,518
	3,117,877	2,671,323
Accumulated depreciation and amortization	(1,662,794)	(1,418,683)
	<u>\$ 1,455,083</u>	<u>\$ 1,252,640</u>

6. Liquidity and Availability of Financial Assets

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, are comprised of the following at June 30:

	2022	2021
Cash	\$ 4,620,768	\$ 5,256,028
Grants and contracts receivable	417,232	435,838
	<u>\$ 5,038,000</u>	<u>\$ 5,691,866</u>

Bronx Community Charter School

Notes to Financial Statements
June 30, 2022 and 2021

6. Liquidity and Availability of Financial Assets (*continued*)

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in money market accounts and other liquid instruments until it is required for operational use. The School will continue to rely on funding received from the New York Department of Education to cover its future operating costs (see Note 9).

7. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 401(k) for the benefit of its eligible employees. Under the plan, the School will match employee contributions up to 4.5% of annual compensation. The amount charged for matching contributions and administrative fees to this plan was \$274,061 and \$258,174 for the years ended June 30, 2022 and 2021.

8. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and restricted cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2022 and 2021, approximately \$4,186,000 and \$4,821,000 of cash and restricted cash was maintained with institutions in excess of FDIC limits.

9. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2022 and 2021, the School received approximately 84% and 82% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

10. Commitment

On May 18, 2011, and as amended at various subsequent dates, the School entered into an agreement to lease and construct permanent office and classroom space at 3170 Webster Avenue, Bronx, New York for a period of 15 years expiring on June 30, 2028. The lease calls for three 5 year options for an additional fifteen years through June 30, 2043. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes and other operating expenses.

On June 28, 2016, the School entered into an agreement with Bronx SC, LLC for additional classroom space at 3170 Webster Avenue, Bronx, New York for a period of 12 years expiring June 30, 2028. The lease calls for a 5 year option to extend the lease through June 30, 2033. The School moved into this space during the 2016-2017 school year.

Bronx Community Charter School

Notes to Financial Statements
June 30, 2022 and 2021

10. Commitment (continued)

The School recognizes rent expense on a straight-line basis over the term of the lease. Rent expense in excess of payments is recorded as deferred rent in the accompanying statements of financial position. Facility expense for the years ended June 30, 2022 and 2021 was \$1,095,450 and \$1,032,750.

The future minimum lease payments under the two leases is as follows for the years ending June 30:

2023	\$ 940,279
2024	1,019,839
2025	1,021,857
2026	1,023,920
2027	1,026,030
Thereafter	<u>1,028,187</u>
	<u>\$ 6,060,112</u>

11. Union Agreement

On February 1, 2014, the School entered into a Collective Bargaining Agreement (“CBA”) with the United Federation of Teachers (“UFT”) that expired on June 30, 2015. Under the CBA, the School is required to follow a Due Process for teacher discipline, terminations, and suspension. As specified in the CBA and among others, the School shall maintain a student-teacher ratio, follow a salary step schedule based on years of experience, provide employment benefits and paid leaves. The School is not obligated to contribute into the Teachers Retirement System. The CBA was extended for several four-year terms expiring June 30, 2023.

12. Paycheck Protection Program Loan Payable

On June 22, 2020, the School qualified for and received a loan pursuant to the Paycheck Protection Program (“PPP”), a program implemented by the U.S. Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), from a qualified PPP lender, for an aggregate principal amount of \$1,504,900 (the “PPP Loan”). The PPP Loan bore interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, had a term of five years, and was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the PPP upon the School’s request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the School. The School applied for full forgiveness of the PPP Loan with respect to these covered expenses.

On March 17, 2021, the PPP Loan was forgiven in full by the SBA. The loan forgiveness of \$1,504,900 is included on the accompanying statements of activities under gain on forgiveness of Paycheck Protection Program loan.

Bronx Community Charter School

Notes to Financial Statements
June 30, 2022 and 2021

13. Contingency

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.

14. Risks and Uncertainties

The School's operations and financial performance may be affected by the recent COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the School may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in state and local per pupil operating revenue, shortfalls and variations in enrollment, and operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

Bronx Community Charter School

Uniform Guidance
Schedules and Reports

June 30, 2022

Bronx Community Charter School

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Education</u>				
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021224390	\$ -	\$ 306,427
English Language Acquisition State Grants	84.365	0293224390	-	13,984
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147224390	-	40,924
Student Support and Academic Enrichment Program	84.424	0204224390	-	21,956
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890214390	-	84,067
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891214390	-	976,158
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880214390	-	202,156
			-	1,645,672
Total U.S. Department of Education				
<u>Federal Communications Commission</u>				
Pass-Through Universal Service Administrative Company:				
Emergency Connectivity Fund Program	32.009	not available	-	40,999
			-	40,999
Total Expenditures of Federal Awards			\$ -	\$ 1,686,671

See independent auditors' report and notes to schedule of expenditures of federal awards

Bronx Community Charter School

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Bronx Community Charter School (the "School"), under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the 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"). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 Auditors' Report

**Board of Trustees
Bronx Community Charter School**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bronx Community Charter School (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2022.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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*.

The School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The School'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.

PKF O'Connor Davies, LLP

Harrison, New York
October 11, 2022

**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditors' Report

**Board of Trustees
Bronx Community Charter School**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bronx Community Charter School (the "School") 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 the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of 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, 2022.

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School 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 the School'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 the School's federal programs.

Auditors' 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 the School'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 generally accepted auditing standards, *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 about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 the School'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 the School'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 the School'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 Auditors' 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.

PKF O'Connor Davies, LLP

Harrison, New York
October 11, 2022

Bronx Community Charter School

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

X yes _____ none reported

Noncompliance material to the financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

84.425D

Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund

84.425D

Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II

84.425U

Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP

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

\$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

Bronx Community Charter School

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2022

Section II – Financial Statement Findings

2022-001- Competitive Bidding

Criteria

The School's Financial Policies and Procedures Manual ("FPP") requires three price quotes for purchases and/or contracts greater than \$25,000.

Condition

During our test of three procurement transactions over \$25,000, we noted that the School did not perform sufficient competitive bidding procedures on the selections.

Cause

This condition was caused by management's ineffective monitoring and review of the competitive bidding procedures in its FPP.

Effect

The School is not in compliance with its FPP with regard to procurement procedures.

Recommendation

The School should strictly comply with the FPP and retain required documentation of at least three quotes when competitive bidding is required. We recommend that management periodically review transactions that require competitive bidding. We also recommend that management consider increasing the threshold for bidding.

Views of Responsible Officials

See management corrective action plan in Appendix A.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instance of noncompliance and none of the costs tested which were reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV – Prior Year Findings

There were no findings in the prior year.



October 4, 2022

The Department of Education of the City of New York

The State Education Department of the State University of New York

Appendix A: Management Corrective Action Plan

2022-001 – Competitive Bidding

The School will strictly comply with the FPP and retain documentation of at least three quotes when competitive bidding is required. In addition, management will periodically review transactions that require competitive bidding.

Lesline Gardner