

BRONX CHARTER SCHOOL FOR EXCELLENCE

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2023

(With Comparative Totals for 2022)



BUSINESS
ADVISORS
AND CPAS

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BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Bronx Charter School for Excellence

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note A to the financial statements, in 2023, the entity adopted new accounting guidance related to accounting for leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

We have previously audited the Bronx Charter School for Excellence's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023 on our consideration of Bronx Charter School for Excellence's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bronx Charter School for Excellence's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 23, 2023

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

(With Comparative Totals for 2022)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 7,592,304	\$ 17,723,799
Grants and contracts receivable	5,346,794	3,971,123
Investments	15,328,948	15,000,000
Prepaid expenses	833,515	442,490
Due from related parties	47,394	2,072,886
TOTAL CURRENT ASSETS	<u>29,148,955</u>	<u>39,210,298</u>
<u>PROPERTY AND EQUIPMENT, net</u>	32,502,373	32,642,150
<u>OTHER ASSETS</u>		
Right-of-use assets - operating	99,606,295	-
Cash in escrow	225,000	225,000
Security deposits	741,750	601,389
Investments - restricted	-	3,292,545
	<u>100,573,045</u>	<u>4,118,934</u>
TOTAL ASSETS	<u>\$ 162,224,373</u>	<u>\$ 75,971,382</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current portion of bonds payable	\$ -	\$ 570,000
Current portion of lease liabilities - operating	2,840,135	-
Accounts payable	866,132	406,347
Accrued expenses	61,310	357,649
Accrued payroll and benefits	4,776,917	2,880,014
Deferred revenue	7,546	498,523
Management fees due to charter management organization	2,000,364	1,004,279
TOTAL CURRENT LIABILITIES	<u>10,552,404</u>	<u>5,716,812</u>
<u>OTHER LIABILITIES</u>		
Bonds payable, net of unamortized bond issuance costs of \$760,009 at June 30, 2022	-	20,839,332
Reserve for payment of debt service	-	1,540,000
Long-term lease liabilities - operating	100,454,221	-
Deferred lease liability	-	1,878,155
	<u>100,454,221</u>	<u>24,257,487</u>
TOTAL LIABILITIES	<u>111,006,625</u>	<u>29,974,299</u>
<u>NET ASSETS, without donor restrictions</u>	<u>51,217,748</u>	<u>45,997,083</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 162,224,373</u>	<u>\$ 75,971,382</u>

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

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

	<u>Year ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Revenue, gains and other support:		
Public school district:		
Resident student enrollment	\$ 40,308,688	\$ 36,511,331
Students with disabilities	2,564,091	3,429,823
Grants and contracts:		
State and local	217,310	146,373
Federal - Title and IDEA	1,941,931	1,770,313
Federal - other	5,940,413	3,789,259
Food Service/Child Nutrition Program	1,405,915	666,128
NYC DoE Rental Assistance	<u>4,968,267</u>	<u>3,723,895</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	57,346,615	50,037,122
Expenses:		
Program:		
Regular education	41,228,884	29,883,764
Special education	8,236,446	6,225,725
Management and general	<u>4,418,183</u>	<u>2,900,983</u>
TOTAL OPERATING EXPENSES	<u>53,883,513</u>	<u>39,010,472</u>
SURPLUS FROM SCHOOL OPERATIONS	3,463,102	11,026,650
Support and other revenue:		
Contributions:		
Foundations	78,160	51,277
Corporations	14,959	5
Individuals	250	-
Investment income	622,756	19,739
Gain on bond redemption	389,409	-
Miscellaneous income	<u>652,029</u>	<u>143,983</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>1,757,563</u>	<u>215,004</u>
CHANGE IN NET ASSETS	5,220,665	11,241,654
Net assets at beginning of year	<u>45,997,083</u>	<u>34,755,429</u>
NET ASSETS AT END OF YEAR	<u>\$ 51,217,748</u>	<u>\$ 45,997,083</u>

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES

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

	No. of Positions	Year ended June 30,					
		2023			2022		
		Regular Education	Special Education	Sub-total	Supporting Services Management and general	Total	Total
Personnel Services Costs:							
Administrative staff personnel	51	\$ 3,375,195	\$ 1,125,064	\$ 4,500,259	\$ 1,125,064	\$ 5,625,323	\$ 3,926,780
Instructional personnel	177	11,618,266	1,958,329	13,576,595	289,358	13,865,953	11,124,258
Non-instructional personnel	7	129,525	46,793	176,318	83,012	259,330	144,605
Total salaries and wages	235	15,122,986	3,130,186	18,253,172	1,497,434	19,750,606	15,195,643
Payroll taxes and employee benefits		3,420,514	795,599	4,216,113	693,628	4,909,741	3,879,385
Retirement		472,368	91,647	564,015	42,487	606,502	394,616
Management fees		6,607,959	1,359,617	7,967,576	626,948	8,594,524	5,985,971
Legal fees		-	-	-	19,484	19,484	10,674
Audit/accounting fees		-	-	-	54,366	54,366	43,186
Professional services		2,482,782	392,691	2,875,473	279,440	3,154,913	2,597,672
Building and land rent		5,923,281	1,412,938	7,336,219	668,267	8,004,486	4,113,170
Repairs and maintenance		402,498	76,567	479,065	35,921	514,986	386,314
Insurance		-	-	-	164,663	164,663	140,163
Utilities		388,250	68,171	456,421	30,998	487,419	458,968
Curriculum and classroom supplies		1,490,714	169,183	1,659,897	-	1,659,897	1,212,132
Non-capitalized equipment and furnishings		156,702	29,982	186,684	13,796	200,480	183,263
Professional development		215,176	39,082	254,258	17,852	272,110	194,102
Student and staff recruitment		109,711	16,152	125,863	4,207	130,070	144,843
Technology		278,286	51,368	329,654	20,562	350,216	447,492
Food service		1,425,691	160,099	1,585,790	-	1,585,790	399,857
Student services		80,399	8,139	88,538	-	88,538	36,642
Office expenses		301,858	63,927	365,785	29,481	395,266	356,288
Interest expense		898,575	123,791	1,022,366	56,080	1,078,446	1,103,263
Depreciation and amortization		1,442,670	245,909	1,688,579	112,595	1,801,174	1,628,632
Other		8,464	1,398	9,862	49,974	59,836	98,196
		<u>\$ 41,228,884</u>	<u>\$ 8,236,446</u>	<u>\$ 49,465,330</u>	<u>\$ 4,418,183</u>	<u>\$ 53,883,513</u>	<u>\$ 39,010,472</u>

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF CASH FLOWS

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

	<u>Year ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 5,220,665	\$ 11,241,654
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	1,801,174	1,628,632
Bond premium amortization	(79,851)	(88,373)
Amortization of bond issuance costs included in interest expense	68,718	73,461
Gain on bond redemption	(389,409)	-
Changes in certain assets and liabilities affecting operations:		
Grants and contracts receivable	(1,375,671)	(2,759,967)
Prepaid expenses	(391,025)	136,162
Due from related parties	2,025,492	(334,646)
Accounts payable	459,785	(28,625)
Accrued expenses	(296,339)	(24,325)
Accrued payroll and benefits	1,896,903	176,708
Deferred revenue	(490,977)	433,592
Management fees due to charter management organization	996,085	909,230
Operating lease liabilities, net of right-of-use assets	3,688,061	-
Deferred lease liability	(1,878,155)	390,019
NET CASH PROVIDED FROM OPERATING ACTIVITIES	11,255,456	11,753,522
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(1,661,397)	(1,854,012)
Security deposits	(140,361)	(2,885)
Sales of investments	3,292,545	-
Purchases of investments	(328,948)	(15,294,383)
NET CASH PROVIDED FROM (USED FOR) INVESTING ACTIVITIES	1,161,839	(17,151,280)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayments of bonds payable	(21,008,790)	(545,000)
Repayments of debt service fund	(1,540,000)	-
NET CASH USED FOR FINANCING ACTIVITIES	(22,548,790)	(545,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(10,131,495)	(5,942,758)
Cash and cash equivalents and restricted cash at beginning of year	17,948,799	23,891,557
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	\$ 7,817,304	\$ 17,948,799

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF CASH FLOWS, Cont'd

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

	<u>Year ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	<u>\$ 1,305,258</u>	<u>\$ 1,035,252</u>
<u>NON-CASH OPERATING AND INVESTING ACTIVITIES</u>		
Purchases of property and equipment included in accounts payable	<u>\$ -</u>	<u>\$ 55,006</u>
Right-of-use assets obtained in exchange for new lease liabilities	<u>\$ 43,852</u>	<u>\$ -</u>
Reconciliation of cash and cash equivalents and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 7,592,304	\$ 17,723,799
Cash in escrow	<u>225,000</u>	<u>225,000</u>
	<u>\$ 7,817,304</u>	<u>\$ 17,948,799</u>

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Bronx Charter School for Excellence (the “Charter School”) is an educational corporation operating as a charter school in the borough of the Bronx, New York. On April 29, 2003, the Board of Regents of the University of the State of New York granted Bronx Charter School for Excellence (“Bronx Excellence 1”) a provisional charter valid for a term of five years and renewable upon expiration. In March 2009, January 2014 and March 2019, Bronx Excellence 1 was awarded a full-term, five-year charter renewal through July 31, 2024. Bronx Excellence 1 was established to prepare young people from New York City to compete for admission to, and succeed in, top public, private and parochial schools by cultivating their intellectual, artistic, social, emotional, and ethical development. Bronx Excellence 1 offers a challenging and rigorous academic curriculum which, at the earliest of grades, has an eye towards college preparation for grades first through eighth.

On November 2, 2015, the Board of Regents of the University of the State of New York amended the charter agreement permitting an additional school to be opened by the Charter School. During the 2016 fiscal year, the Charter School added Bronx Charter School for Excellence 2 (“Bronx Excellence 2”) under its expanded charter. Bronx Excellence 2 had the authority to operate through July 31, 2021. In March 2021, Bronx Excellence 2 was awarded a full-term, five-year charter renewal through July 31, 2026. Bronx Excellence 2 was established to provide its students with a solid foundation for academic success, through achievement that exceeds citywide averages and meets or exceeds New York State Standards and national norms in all curriculum areas tested, especially in mathematics and language arts.

On March 24, 2017, the Board of Regents of the University of the State of New York amended the charter agreement permitting an additional 3 schools to be opened by the Charter School, Bronx Charter School for Excellence 3, 4, and 5. Bronx Excellence 3 opened in September 2017 and had authority to operate through July 31, 2022. On November 12, 2021, Bronx Excellence 3 received a renewal for two years to align its renewal schedule with the other charters, through July 2024. Bronx Excellence 4 opened in September 2018 and had authority to operate through June 2023. On December 15, 2022 Bronx Excellence 4 received a renewal for one year to align its renewal schedule with the other charters, through July 2024. Bronx Excellence 5 opened in September 2019 and has authority to operate through June 2024. These charter schools were established to provide its students with a solid foundation for academic success, through achievement that exceeds citywide averages and meets or exceeds New York State Standards and national norms in all curriculum areas tested, especially in mathematics and language arts.

The accompanying financial statements include the accounts of Bronx Excellence 1, Bronx Excellence 2, Bronx Excellence 3, Bronx Excellence 4 and Bronx Excellence 5 (collectively referred to as the “Charter School”). All intercompany balances and transactions have been eliminated in the accompanying financial statements.

Classification of net assets

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had no net assets with donor restrictions at June 30, 2023 or 2022.

Revenue and support recognition

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

The Charter School records substantially all revenues over time as follows:

Public school district revenue

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Rental assistance

Facilities rental assistance funding is provided by the New York City Dept of Education (NYCDOE) to qualifying charter schools located in the five boroughs of NYC. In order to receive rental assistance funding, a charter school must have commenced instruction or added grade levels in the 2014-15 school year or thereafter and go through a space request process with the NYCDOE. If NYCDOE is not able to provide adequate space, the charter school can become eligible for rental assistance. Rental assistance is calculated as the lesser of 30% of the per-pupil tuition rate for NYC times the number of students enrolled, or actual total rental costs. As rental assistance is based on the number of students enrolled, revenue is recognized throughout the year as educational programming is provided to students.

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

	<u>June 30,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Grants and contracts receivable	\$ 429,638	\$ 403,449	\$ 79,176

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. All donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position and amounted to \$7,546 and \$498,523 at June 30, 2023 and 2022, respectively. The Charter School received cost-reimbursement grants of approximately \$5,086,300 and \$10,858,300 that have not been recognized at June 30, 2023 and 2022, respectively, because qualifying expenditures have not yet been incurred.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Cash and cash equivalents

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

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow was \$225,000 at June 30, 2023 and 2022.

Investments

Investments consist of cash equivalents and are measured at fair value. Restricted investments at June 30, 2022 consisted of cash equivalents held for debt service and capitalized interest. At June 30, 2023 and 2022, the Charter School also invested into eight certificates of deposit with maturities ranging from three to twelve months.

Investment income includes interest, recorded on an accrual basis, dividends, net realized gains and losses, and net unrealized gains and losses, resulting from the change in prevailing market value of investments. Purchase and sales of investments are recorded on a trade-date basis.

Grants and contracts receivable

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

Property and equipment

Property and equipment are recorded at cost. The Charter School capitalizes all purchases of fixed assets in excess of \$5,000. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from 4 to 39 years. Prior to the bond issuance (Note G), leasehold improvements at Bronx Excellence 1 were amortized over the shorter of the estimated useful life of the asset or the remaining term of the related lease. These improvements are continuing to be amortized over the originally calculated life. All other leasehold improvements are being amortized over the shorter of the estimated useful life of the asset or the remaining term of the related lease.

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Bond issuance costs

Bond issuance costs, which consisted of deferred financing charges, were stated at cost and were amortized over the term of the bonds which varied from 5 to 30 years through various dates up to April 2043. The Charter School showed bond issuance costs as a deduction from the carrying amount of bonds payable, net on the accompanying statement of financial position at June 30, 2022. As of June 30, 2023, the bond was paid in full.

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

Tax exempt status

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2020 through June 30, 2023 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits. The Charter School is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. In addition, the Charter School received donated transportation services, metro cards, funding for free and reduced-cost breakfasts, lunches and snacks, special education services and physical, occupational, and speech therapy that was also provided for the students from the local district. The Charter School is not able to determine a value for these services.

Marketing and recruiting costs

The Charter School expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$130,000 and \$144,800 for the years ended June 30, 2023 and 2022, respectively.

Comparatives for year ended June 30, 2022

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

Leases

The Charter School leases its school facilities and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the accompanying statement of financial position. There were no finance leases at June 30, 2023.

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

Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

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

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

In determining the discount rate used to measure the right-of-use asset and lease liability, the Charter School uses rates implicit in the lease, or if not readily available, the Charter School's incremental borrowing rate. The incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the Charter School's assets. Determining a credit spread as secured by the assets may require significant judgement.

Adoption of new accounting standard - leases

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

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

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

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

As a result of the adoption of the new lease accounting guidance, the Charter School recognized on July 1, 2022, the total operating lease liability of \$105,877,263, which represents the present value of the remaining operating lease payments of \$151,621,319, discounted using varying risk-free rates, and a right-of-use asset of 103,999,107, which represents the operating lease liability of \$105,877,263 adjusted for deferred rent of \$1,878,155.

The standard had a material impact on the accompanying statement of financial position but did not have an impact on the statement of activities and changes in net assets nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

New accounting pronouncement – credit losses

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

Use of estimates in the preparation of financial statements

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

Reclassifications

Certain prior year amounts have been reclassified to conform to the present year presentation.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 23, 2023, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE B: LIQUIDITY AND AVAILABILITY

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

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

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

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2023 and 2022:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 7,592,304	\$ 17,723,799
Grants and contracts receivable	5,346,794	3,971,123
Investments	15,328,948	15,000,000
Due from related parties	<u>47,394</u>	<u>2,072,886</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 28,315,440</u>	<u>\$ 38,767,808</u>

NOTE C: RELATED PARTY TRANSACTIONS

Excellence Community Schools, Inc. ("Excellence"), a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Charter School. The Charter School entered into an educational services agreement with Excellence effective July 1, 2016 through June 30, 2021 whereby Excellence will provide the Charter School with services related to education and instruction, business operations, human resources and employment. In turn, Excellence shall be paid a fee equal to 13% of all public revenues received by the Charter School during the fiscal year. In October 2021, an addendum to this agreement was signed extending the agreement through December 31, 2021 and increasing the fee to 15% of all public revenues received by the Charter School. The addendum has an effective date of July 1, 2021. In June 2022, an addendum to this agreement was signed extending this agreement through September 30, 2022 with no change to terms. In October 2022, the agreement was amended and restated effective from October 1, 2022 through each of the Schools' respective Charters with no changes to terms. The Charter School incurred fees of approximately \$8,595,000 and \$5,986,000 for the years ended June 30, 2023 and 2022, respectively.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE C: RELATED PARTY TRANSACTIONS, Cont'd

At June 30, 2023 and 2022, approximately \$2,000,000 and \$1,004,000, respectively, of fees were accrued in management fees due to charter management organization on the accompanying statement of financial position.

Approximately \$47,400 and \$890,000 is due to the Charter School from Excellence for expenses that are to be reimbursed by Excellence after June 30, 2023 and 2022, respectively. Approximately \$998,000 of grant funding is due from Excellence to the Charter School at June 30, 2022. There were no amounts of grant funding due from Excellence at June 30, 2023. These amounts are included in due from related parties on the accompanying statement of financial position at June 30, 2023 and 2022. In addition, the Charter School has formalized sub-lease agreements for four facilities with Excellence. See Note D for more details.

Stamford Charter School for Excellence (“Stamford”) is an educational corporation that operates as a charter school in Stamford, Connecticut. Approximately \$50 is due to the Charter School from Stamford for expenses that are to be reimbursed by Stamford after June 30, 2023. Approximately \$185,000 is due to the Charter School from Stamford for expenses that are to be reimbursed by the Charter School subsequent to June 30, 2022. These amounts are included in due from related parties on the accompanying statement of financial position at June 30, 2023 and 2022.

NOTE D: LEASES

The Charter School leases the facility for the Bronx Excellence 2 location. Effective July 1, 2016, the Charter School assigned the lease to Excellence. The sub-lease agreement between the Charter School and Excellence was finalized February 7, 2018 under the same terms of the original lease agreement. The lease term was through June 30, 2021. The Charter School renegotiated a one-year lease, signed March 2022 covering the period July 1, 2021 through June 30, 2022. This lease has converted to a month-to-month arrangement and an extension of this lease agreement is under negotiation. Base rent for this lease extension is \$33,100 per month.

In July 2022, the Charter School entered into a sub-lease agreement with a single member LLC related to Excellence for the facility for the Bronx Excellence 2 Middle School location. The term of the lease began July 1, 2022 and goes through June 30, 2052. The base rent is approximately \$102,200 per month for the year ended June 30, 2023. The lease has escalating payments throughout the term.

In September 2017, the Charter School commenced the process to enter into a sub-lease agreement with Excellence for the facility for the Bronx Excellence 3 location. The sub-lease agreement was finalized as of February 7, 2018. The term of the lease began August 9, 2017 and goes through July 31, 2032. The Charter School’s base rent for the year ended June 30, 2023 was approximately \$94,330 per month. The lease has escalating payments throughout the term.

In July 2019, the Charter School entered into a sub-lease agreement with a single member LLC related to Excellence for the facility for the Bronx Excellence 5 location. The term of the lease began July 1, 2019 and goes through June 30, 2039. The Charter School’s base rent for the year ended June 30, 2023 was approximately \$101,160 per month. The lease has escalating payments throughout the term. The Charter School paid \$59,319 of security deposits relative to this agreement.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE D: LEASES, Cont'd

In August 2020, the Charter School entered into a sub-lease agreement with a single member LLC related to Excellence for the facility for the Bronx Excellence 4 location. The term of the lease began July 1, 2020 and goes through June 30, 2040. The base rent is approximately \$89,900 per month for the year ended June 30, 2023. The lease has escalating payments throughout the term. The Charter School paid \$530,000 of security deposits relative to this agreement.

In July 2022, the Charter School entered into a sub-lease agreement with a single member LLC related to Excellence for the facility for the Bronx Excellence 3 and 4 Middle School location. The term of the lease began July 1, 2022 and goes through June 30, 2037. The base rent is approximately \$95,750 per month for the year ended June 30, 2023. The lease has escalating payments throughout the term. The Charter School paid \$139,500 of security deposits relative to this agreement.

Total rental expense was approximately \$8,004,000 and \$4,113,000 for the years ended June 30, 2023 and 2022, respectively.

The Charter School also leases office equipment under non-cancelable lease agreements at a monthly cost of approximately \$14,303 that will expire at various dates through February 2028. Total equipment lease expense was approximately \$170,038 and \$148,200 for the years ended June 30, 2023 and 2022, respectively.

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

<u>Assets</u>	<u>Statement of Financial</u>	
	<u>Position Classification</u>	
Right-of-use assets - operating	Other assets	<u>\$ 99,606,295</u>
<u>Liabilities</u>		
Current portion of lease liabilities - operating	Current liabilities	\$ 2,840,135
Long-term lease liabilities - operating	Other liabilities	<u>100,454,221</u>
		<u>\$ 103,294,356</u>

The components of lease expense were as follows:

Operating lease expense	<u>\$ 7,777,786</u>
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BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE D: LEASES, Cont'd

As of June 30, 2023, minimum payments due for lease liabilities are as follows:

	<u>Operating leases</u>
2024	\$ 6,093,712
2025	6,294,802
2026	6,715,852
2027	6,847,505
2028	6,979,224
Thereafter	<u>112,770,224</u>
	145,701,319
Less: interest	<u>(42,406,963)</u>
Present value of lease liabilities	<u>\$ 103,294,356</u>

Supplemental information is as follows for the year ended June 30, 2023:

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

Operating cash flows paid for operating leases \$ 5,967,081

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

Operating leases \$ 105,921,114

Weighted-average remaining lease term:

Operating leases 20.3 years

Weighted-average discount rate:

Operating leases 3.20%

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	June 30,	
	<u>2023</u>	<u>2022</u>
Land	\$ 914,772	\$ 914,772
Buildings	33,969,006	33,427,017
Furniture and fixtures	1,081,374	762,285
Computers and equipment	4,272,696	3,581,607
Software	-	12,661
Leasehold improvements	<u>3,215,146</u>	<u>3,105,916</u>
	43,452,994	41,804,258
Less accumulated depreciation and amortization	<u>10,950,621</u>	<u>9,162,108</u>
	<u>\$ 32,502,373</u>	<u>\$ 32,642,150</u>

Total depreciation and amortization expense was \$1,801,174 and \$1,628,632 for the years ended June 30, 2023 and 2022, respectively.

NOTE F: FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques to measure the fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE F: FAIR VALUE MEASUREMENTS, Cont'd

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2023 or 2022 :

Money market funds: Fair value equals cost.

Certificates of deposit: Fair values are calculated based on the exact runoff of principal for each CD in each category given its contractual maturity, discounted at an appropriate term rate.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Charter School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy; the Charter School's investment assets measured at fair value on a recurring basis as of June 30, 2023 and 2022:

	<u>Assets at Fair Value</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2023</u>				
Certificates of deposit	\$ -	\$ 15,328,948	\$ -	\$ 15,328,948
Total assets at fair value	<u>\$ -</u>	<u>\$ 15,328,948</u>	<u>\$ -</u>	<u>\$ 15,328,948</u>
 <u>June 30, 2022</u>				
Money market	\$ 3,292,545	\$ -	\$ -	\$ 3,292,545
Certificates of deposit	-	15,000,000	-	15,000,000
Total assets at fair value	<u>\$ 3,292,545</u>	<u>\$ 15,000,000</u>	<u>\$ -</u>	<u>\$ 18,292,545</u>

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the risk associated with investment securities, it is at least reasonably possible that changes in risk could materially affect the accompanying financial statements.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE G: BONDS PAYABLE

During April 2013, Build NYC Resource Corporation issued \$23,310,000 in principal amount of Tax-Exempt Fixed Rate Revenue Bonds (“Series A”) and \$690,000 in principal amount of Taxable Fixed Rate Revenue Bonds (“Series B”). Proceeds from the sale included a premium of \$2,111,744, which was being amortized over the life of the bond issue. The proceeds of the bonds were made available to the Charter School pursuant to a special agreement with Build NYC Resource Corporation. The remaining proceeds were used to construct additional schools and for renovation of the current school facilities.

Revenue bonds outstanding as of June 30, 2022:

<u>Year</u>	<u>Series A</u>		<u>Series B</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest Rate</u>	
Bond payable	\$ 21,415,000	4% - 5.5%	\$ -	5%	\$ 21,415,000
Unamortized bond premium	1,387,714		-		1,387,714
Unamortized bond issuance costs	<u>(833,470)</u>		<u>-</u>		<u>(833,470)</u>
Balance at June 30, 2021	<u>\$ 21,969,244</u>		<u>\$ -</u>		<u>\$ 21,969,244</u>
2023	570,000	4%	\$ -		\$ 570,000
2024	590,000	4%	-		590,000
2025	620,000	4%	-		620,000
2026	655,000	4%	-		655,000
2027	690,000	4%	-		690,000
Thereafter	<u>17,745,000</u>	4% - 5.5%	<u>-</u>		<u>17,745,000</u>
Bond payable	20,870,000		-		20,870,000
Unamortized bond premium	1,299,341		-		1,299,341
Unamortized bond issuance costs	<u>(760,009)</u>		<u>-</u>		<u>(760,009)</u>
Balance at June 30, 2022	<u>\$ 21,409,332</u>		<u>\$ -</u>		<u>\$ 21,409,332</u>

Principal payments for the Series A bonds were due annually, as indicated, on April 1. Payments of \$570,000 and \$545,000 were made during the years ended June 30, 2023 and 2022 toward the Series A bonds.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE G: BONDS PAYABLE, Cont'd

The Series A bonds were subject to optional redemption, in whole or in part, at the option of the Issuer at the request of the Charter School on April 1, 2023 or any business day thereafter. On June 15, 2023 the Series A bonds consisting of \$20,300,000 in principal and \$221,800 in interest were paid in full.

The Series B bonds had a stated rate and maturity of 5% in 2018. The bonds were subject to mandatory sinking fund installments beginning in 2016. The Series B Bonds were repaid prior to June 30, 2019.

The bonds were secured by the assets and certain revenue of the Charter School. Additionally, the Charter School Financing Partnership, an organization established to provide access to secondary market financing for charter schools that serve disadvantaged students and communities, had provided funds amounting to \$1,540,000 to be held by the trustee in a Debt Reserve account as additional security. This amount was included in restricted investments in the statement of financial position. The Charter School was obligated to pay an annual fee equal to 0.14% of the bonds outstanding principal amount as of March 31st each year, for the use of these funds as security. The funds were repaid to the Charter School Financing Partnership when the bonds were paid in full on June 15, 2023.

In accordance with the loan agreement, the proceeds from the sale of the revenue bonds were placed in a Project Fund, maintained by U.S. Bank. The trustee was to use the monies in this fund to make payments to or on behalf of the Charter School to pay for the costs of the project upon receipt of written requisitions. Any monies remaining in the Project Fund will be transferred to the Redemption Account of the Bond Fund, to be applied by the trustees towards the redemption of the bonds. On June 15, 2023, \$78,978 was transferred as noted above. At June 30, 2022, the unexpended balance was \$78,949 which was included in restricted investments.

The Charter School was subject to certain loan covenants which required the Charter School to maintain specified cash on hand, debt service coverage ratio and limitations on further indebtedness. The Charter School was in compliance with all loan covenants as of June 30, 2022.

Total issuance costs of approximately \$1,621,000 were being amortized over the life of the bonds. Amortization expense of \$68,718 and \$73,461 was recorded and is recognized in interest expense for the years ended June 30, 2023 and 2022, respectively. The Charter School incurred net interest expense of \$1,009,728 and \$1,029,802 for the years ended June 30, 2023 and 2022, respectively which is recognized in the statement of activities and changes in net assets.

NOTE H: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering all eligible employees. The Charter School matches up to 5% of each employee's annual compensation not to exceed the employee's salary deferral amount. The Charter School may also elect to make additional contributions to the plan on a discretionary basis. The Charter School made contributions of approximately \$606,500 and \$394,600 for the years ended June 30, 2023 and 2022, respectively.

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE I: CONTINGENCY

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

NOTE J: CONCENTRATIONS

At June 30, 2023, approximately 92% of grants and contracts receivable are due from the Federal government, relating to certain grants. For the year ended June 30, 2023, 81% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

At June 30, 2022, approximately 90% of grants and contracts receivables are due from the Federal government, relating to certain grants. For the year ended June 30, 2022, 80% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE K: NET ASSETS

Net assets without donor restrictions are as follows:

	June 30,	
	<u>2023</u>	<u>2022</u>
Undesignated	\$ 18,715,375	\$ 36,304,265
Invested in property and equipment, net of related debt	<u>32,502,373</u>	<u>9,692,818</u>
	<u>\$ 51,217,748</u>	<u>\$ 45,997,083</u>

NOTE L: FUNCTIONAL EXPENSES

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

BRONX CHARTER SCHOOL FOR EXCELLENCE

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE M: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$5,607,229 and \$3,275,453 of revenue relative to ESSER grants during the years ended June 30, 2023 and 2022, respectively. The Charter School has \$5,086,300 of ESSER grants still available through September 30, 2024 as of June 30, 2023.

NOTE N: RENEWAL PROCESS

Bronx Excellence 1, 3, 4 and 5 are currently in the process of renewing its charters by the New York State Board of Regents. The charters currently expire July 31, 2024. The renewal process includes review by the State University of New York Charter Schools Institute (CSI) of various operational and governance aspects, including fiscal health and internal controls, board governance, and academic performance. Upon review of the application and results, CSI will determine if the charters should be renewed and if so, for how long. Successful charter renewals can range from one to five years. At this time, management of Bronx Excellence 1, 3, 4 and 5 expect the charters to be renewed.

BRONX CHARTER SCHOOL FOR EXCELLENCE

OTHER FINANCIAL INFORMATION



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Bronx Charter School for Excellence

We have audited the financial statements of Bronx Charter School for Excellence as of and for the year ended June 30, 2023, and have issued our report thereon dated October 23, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2023, as a whole.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 23, 2023

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF ACTIVITIES BY CHARTER

YEAR ENDED JUNE 30, 2023

	<u>Bronx Excellence 1</u>	<u>Bronx Excellence 2</u>	<u>Bronx Excellence 3</u>	<u>Bronx Excellence 4</u>	<u>Bronx Excellence 5</u>	<u>Total</u>
Revenue, gains and other support:						
Public school district:						
Resident student enrollment	\$ 13,870,447	\$ 7,829,478	\$ 8,328,831	\$ 5,760,529	\$ 4,519,403	\$ 40,308,688
Students with disabilities	668,111	578,870	386,166	502,253	428,691	2,564,091
Grants and contracts:						
State and local	49,052	28,242	31,215	72,079	36,722	217,310
Federal - Title and IDEA	611,868	368,033	408,015	265,306	288,709	1,941,931
Federal - other	1,692,678	1,217,576	1,268,107	937,426	824,626	5,940,413
Food service / Child nutrition program	485,578	245,260	286,233	216,924	171,920	1,405,915
NYC DoE Rental Assistance	-	1,000,541	1,945,481	1,412,039	610,206	4,968,267
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>17,377,734</u>	<u>11,268,000</u>	<u>12,654,048</u>	<u>9,166,556</u>	<u>6,880,277</u>	<u>57,346,615</u>
Expenses:						
Program:						
Regular education	13,518,449	8,329,192	8,734,315	5,598,198	5,048,730	41,228,884
Special education	1,811,378	2,041,886	2,052,201	1,344,476	986,505	8,236,446
Management and general	900,883	1,207,190	1,032,915	708,877	568,318	4,418,183
TOTAL OPERATING EXPENSES	<u>16,230,710</u>	<u>11,578,268</u>	<u>11,819,431</u>	<u>7,651,551</u>	<u>6,603,553</u>	<u>53,883,513</u>
SURPLUS (DEFICIT) FROM SCHOOL OPERATIONS	1,147,024	(310,268)	834,617	1,515,005	276,724	3,463,102
Support and other revenue:						
Contributions:						
Foundations	55,319	-	22,841	-	-	78,160
Corporations	10,559	-	4,400	-	-	14,959
Individuals	250	-	-	-	-	250
Investment income	622,756	-	-	-	-	622,756
Gain on bond redemption	389,409	-	-	-	-	389,409
Miscellaneous income	652,029	-	-	-	-	652,029
TOTAL SUPPORT AND OTHER REVENUE	<u>1,730,322</u>	<u>-</u>	<u>27,241</u>	<u>-</u>	<u>-</u>	<u>1,757,563</u>
CHANGE IN NET ASSETS	2,877,346	(310,268)	861,858	1,515,005	276,724	5,220,665
Net assets at beginning of year	20,785,576	9,416,621	9,483,093	4,092,788	2,219,005	45,997,083
NET ASSETS AT END OF YEAR	<u>\$ 23,662,922</u>	<u>\$ 9,106,353</u>	<u>\$ 10,344,951</u>	<u>\$ 5,607,793</u>	<u>\$ 2,495,729</u>	<u>\$ 51,217,748</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 1

YEAR ENDED JUNE 30, 2023

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Sub-total	Management and general	
Personnel Services Costs:						
Administrative staff personnel	12	\$ 801,248	\$ 267,082	\$ 1,068,330	\$ 267,082	\$ 1,335,412
Instructional personnel	63	4,339,643	441,036	4,780,679	53,709	4,834,388
Non-instructional personnel	<u>1</u>	<u>49,609</u>	<u>6,833</u>	<u>56,442</u>	<u>3,096</u>	<u>59,538</u>
Total salaries and wages	76	5,190,500	714,951	5,905,451	323,887	6,229,338
Payroll taxes and employee benefits		1,328,018	182,924	1,510,942	82,868	1,593,810
Retirement		218,543	30,103	248,646	13,637	262,283
Management fees		2,171,958	299,171	2,471,129	135,530	2,606,659
Legal fees		-	-	-	1,632	1,632
Audit/accounting fees		-	-	-	16,178	16,178
Professional services		941,332	119,862	1,061,194	88,288	1,149,482
Repairs and maintenance		211,868	29,183	241,051	13,221	254,272
Insurance		-	-	-	54,690	54,690
Utilities		255,247	35,158	290,405	15,927	306,332
Curriculum and classroom supplies		378,062	36,056	414,118	-	414,118
Non-capitalized equipment and furnishings		71,246	9,814	81,060	4,446	85,506
Professional development		121,903	16,791	138,694	7,607	146,301
Student and staff recruitment		42,204	4,729	46,933	1,037	47,970
Technology		87,494	11,120	98,614	4,088	102,702
Food service		480,706	45,846	526,552	-	526,552
Student services		57,726	5,506	63,232	-	63,232
Office expenses		86,070	11,856	97,926	5,891	103,817
Interest expense		898,575	123,791	1,022,366	56,080	1,078,446
Depreciation and amortization		971,403	133,803	1,105,206	60,615	1,165,821
Other		5,594	714	6,308	15,261	21,569
		<u>\$ 13,518,449</u>	<u>\$ 1,811,378</u>	<u>\$ 15,329,827</u>	<u>\$ 900,883</u>	<u>\$ 16,230,710</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 2

YEAR ENDED JUNE 30, 2023

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Sub-total	Management and general	
Personnel Services Costs:						
Administrative staff personnel	12	\$ 873,066	\$ 291,022	\$ 1,164,088	\$ 291,022	\$ 1,455,110
Instructional personnel	33	2,220,401	474,175	2,694,576	73,074	2,767,650
Non-instructional personnel	2	27,209	13,605	40,814	27,209	68,023
Total salaries and wages	47	3,120,676	778,802	3,899,478	391,305	4,290,783
Payroll taxes and employee benefits		669,965	199,954	869,919	198,404	1,068,323
Retirement		86,139	21,829	107,968	11,961	119,929
Management fees		1,213,982	307,645	1,521,627	168,573	1,690,200
Legal fees		-	-	-	14,465	14,465
Audit/accounting fees		-	-	-	12,271	12,271
Professional services		409,597	78,948	488,545	44,688	533,233
Building and land rent		1,902,530	482,136	2,384,666	264,184	2,648,850
Repairs and maintenance		110,642	28,039	138,681	15,364	154,045
Insurance		-	-	-	31,263	31,263
Utilities		61,918	15,691	77,609	8,598	86,207
Curriculum and classroom supplies		245,263	30,542	275,805	-	275,805
Non-capitalized equipment and furnishings		19,808	5,020	24,828	2,751	27,579
Professional development		23,116	5,858	28,974	3,210	32,184
Student and staff recruitment		27,233	4,380	31,613	1,068	32,681
Technology		58,013	13,113	71,126	6,345	77,471
Food service		198,887	24,767	223,654	-	223,654
Student services		6,231	776	7,007	-	7,007
Office expenses		55,735	14,113	69,848	7,746	77,594
Depreciation and amortization		118,668	30,073	148,741	16,478	165,219
Other		789	200	989	8,516	9,505
		<u>\$ 8,329,192</u>	<u>\$ 2,041,886</u>	<u>\$ 10,371,078</u>	<u>\$ 1,207,190</u>	<u>\$ 11,578,268</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 3

YEAR ENDED JUNE 30, 2023

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Sub-total	Management and general	
Personnel Services Costs:						
Administrative staff personnel	12	\$ 792,900	\$ 264,300	\$ 1,057,200	\$ 264,300	\$ 1,321,500
Instructional personnel	41	2,422,949	543,314	2,966,263	80,963	3,047,226
Non-instructional personnel	2	36,269	18,135	54,404	36,269	90,673
Total salaries and wages	55	3,252,118	825,749	4,077,867	381,532	4,459,399
Payroll taxes and employee benefits		703,919	206,187	910,106	187,011	1,097,117
Retirement		77,007	18,745	95,752	6,946	102,698
Management fees		1,423,276	346,462	1,769,738	128,370	1,898,108
Legal fees		-	-	-	1,038	1,038
Audit/accounting fees		-	-	-	12,786	12,786
Professional services		481,244	80,044	561,288	82,168	643,456
Building and land rent		1,615,870	393,344	2,009,214	145,741	2,154,955
Repairs and maintenance		73,131	17,802	90,933	6,596	97,529
Insurance		-	-	-	34,539	34,539
Utilities		68,666	16,715	85,381	6,193	91,574
Curriculum and classroom supplies		365,403	33,756	399,159	-	399,159
Non-capitalized equipment and furnishings		25,702	6,256	31,958	2,318	34,276
Professional development		31,411	7,657	39,068	2,863	41,931
Student and staff recruitment		20,076	3,231	23,307	822	24,129
Technology		55,492	11,392	66,884	3,741	70,625
Food services		301,015	27,807	328,822	-	328,822
Student services		9,018	833	9,851	-	9,851
Office expenses		86,158	20,973	107,131	7,771	114,902
Depreciation and amortization		143,898	35,028	178,926	12,979	191,905
Other		911	220	1,131	9,501	10,632
		<u>\$ 8,734,315</u>	<u>\$ 2,052,201</u>	<u>\$ 10,786,516</u>	<u>\$ 1,032,915</u>	<u>\$ 11,819,431</u>

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 4

YEAR ENDED JUNE 30, 2023

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Sub-total	Management and general	
Personnel Services Costs:						
Administrative staff personnel	9	\$ 488,091	\$ 162,697	\$ 650,788	\$ 162,697	\$ 813,485
Instructional personnel	21	1,252,915	279,085	1,532,000	34,390	1,566,390
Non-instructional personnel	1	9,883	4,942	14,825	9,883	24,708
Total salaries and wages	31	1,750,889	446,724	2,197,613	206,970	2,404,583
Payroll taxes and employee benefits		373,122	115,848	488,970	120,815	609,785
Retirement		58,616	14,780	73,396	6,779	80,175
Management fees		999,789	252,097	1,251,886	115,630	1,367,516
Legal fees		-	-	-	1,756	1,756
Audit/accounting fees		-	-	-	6,727	6,727
Professional services		410,092	73,434	483,526	44,903	528,429
Building and land rent		1,238,408	312,264	1,550,672	143,228	1,693,900
Repairs and maintenance		3,722	938	4,660	431	5,091
Insurance		-	-	-	24,549	24,549
Utilities		2,372	598	2,970	275	3,245
Curriculum and classroom supplies		285,090	36,808	321,898	-	321,898
Non-capitalized equipment and furnishings		19,974	5,036	25,010	2,310	27,320
Professional development		22,344	5,644	27,988	2,611	30,599
Student and staff recruitment		11,016	2,207	13,223	737	13,960
Technology		41,060	9,096	50,156	3,567	53,723
Food service		217,562	28,090	245,652	-	245,652
Student services		3,866	499	4,365	-	4,365
Office expenses		46,026	11,605	57,631	5,323	62,954
Depreciation and amortization		113,616	28,648	142,264	13,140	155,404
Other		634	160	794	9,126	9,920
		\$ 5,598,198	\$ 1,344,476	\$ 6,942,674	\$ 708,877	\$ 7,651,551

BRONX CHARTER SCHOOL FOR EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER – BRONX EXCELLENCE 5

YEAR ENDED JUNE 30, 2023

	No. of Positions	Program Services			Supporting Services	Total
		Regular Education	Special Education	Sub-total	Management and general	
Personnel Services Costs:						
Administrative staff personnel	6	\$ 419,890	\$ 139,963	\$ 559,853	\$ 139,963	\$ 699,816
Instructional personnel	19	1,382,358	220,719	1,603,077	47,222	1,650,299
Non-instructional personnel	1	6,555	3,278	9,833	6,555	16,388
Total salaries and wages	26	1,808,803	363,960	2,172,763	193,740	2,366,503
Payroll taxes and employee benefits		345,490	90,686	436,176	104,530	540,706
Retirement		32,063	6,190	38,253	3,164	41,417
Management fees		798,954	154,242	953,196	78,845	1,032,041
Legal fees		-	-	-	593	593
Audit/accounting fees		-	-	-	6,404	6,404
Professional services		240,517	40,403	280,920	19,393	300,313
Building and land rent		1,166,473	225,194	1,391,667	115,114	1,506,781
Repairs and maintenance		3,135	605	3,740	309	4,049
Insurance		-	-	-	19,622	19,622
Utilities		47	9	56	5	61
Curriculum and classroom supplies		216,896	32,021	248,917	-	248,917
Non-capitalized equipment and furnishings		19,972	3,856	23,828	1,971	25,799
Professional development		16,402	3,132	19,534	1,561	21,095
Student and staff recruitment		9,182	1,605	10,787	543	11,330
Technology		36,227	6,647	42,874	2,821	45,695
Food service		227,521	33,589	261,110	-	261,110
Student service		3,558	525	4,083	-	4,083
Office expenses		27,869	5,380	33,249	2,750	35,999
Depreciation and amortization		95,085	18,357	113,442	9,383	122,825
Other		536	104	640	7,570	8,210
		<u>\$ 5,048,730</u>	<u>\$ 986,505</u>	<u>\$ 6,035,235</u>	<u>\$ 568,318</u>	<u>\$ 6,603,553</u>