

**BRONX ACADEMY OF
PROMISE CHARTER SCHOOL**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORTS
(INCLUDING SINGLE-AUDIT REPORT)**

JUNE 30, 2015 AND 2014

BRONX ACADEMY OF PROMISE CHARTER SCHOOL

TABLE OF CONTENTS

Independent Auditor's Report on Financial Statements

Exhibit

A - Balance Sheet

B - Statement of Activities

C - Statement of Functional Expenses

D - Statement of Cash Flows

Notes to Financial Statements

Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards

BRONX ACADEMY OF PROMISE CHARTER SCHOOL

**TABLE OF CONTENTS
(continued)**

**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**

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance**

Schedule of Findings and Questioned Costs



Independent Auditor's Report on Financial Statements

**Board of Trustees
Bronx Academy of Promise Charter School**

Report on the Financial Statements

We have audited the accompanying financial statements of Bronx Academy of Promise Charter School which comprise the balance sheet as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bronx Academy of Promise Charter School as of June 30, 2015 and 2014, 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.

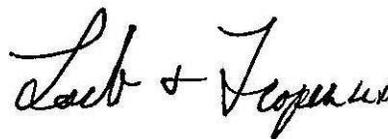
Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 22, 2015 on our consideration of Bronx Academy of Promise 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bronx Academy of Promise Charter School's internal control over financial reporting and compliance.



October 22, 2015, except for the schedule of expenditures
of federal awards, as to which the date is March 2, 2016

BRONX ACADEMY OF PROMISE CHARTER SCHOOL

BALANCE SHEET

JUNE 30, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|------------------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 4,835,281 | \$ 3,089,816 |
| Cash held in escrow | 70,000 | 70,000 |
| Grants and contracts receivable | 487,789 | 268,476 |
| Security deposits (Note 4) | 690,815 | 540,815 |
| Prepaid expenses | <u>156,784</u> | <u>156,480</u> |
| Total current assets | 6,240,669 | 4,125,587 |
| Fixed assets - net (Note 3) | <u>363,575</u> | <u>332,441</u> |
| Total assets | <u>\$ 6,604,244</u> | <u>\$ 4,458,028</u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 165,641 | \$ 215,019 |
| Accrued salaries and related liabilities | 580,600 | 505,493 |
| Deferred rent | <u>909,922</u> | <u>499,126</u> |
| Total current liabilities | 1,656,163 | 1,219,638 |
| Net assets - unrestricted (Exhibit B) | <u>4,948,081</u> | <u>3,238,390</u> |
| Total liabilities and net assets | <u>\$ 6,604,244</u> | <u>\$ 4,458,028</u> |

See independent auditor's report.

The accompanying notes are an integral part of these statements.

EXHIBIT B**BRONX ACADEMY OF PROMISE CHARTER SCHOOL****STATEMENT OF ACTIVITIES****YEARS ENDED JUNE 30, 2015 AND 2014**

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------------------------|---------------------|---------------------|
| Revenues | | |
| State and local per-pupil operating revenues | \$ 8,962,620 | \$ 7,661,664 |
| Government grants and contracts | 836,641 | 419,964 |
| Contributions | 7,345 | 28,074 |
| Miscellaneous income | 177 | 3,700 |
| | <u>9,806,783</u> | <u>8,113,402</u> |
| Total revenues | | |
| Expenses (Exhibit C) | | |
| Program services | | |
| Education | 5,945,414 | 5,202,105 |
| Special education | 1,171,656 | 870,935 |
| | <u>7,117,070</u> | <u>6,073,040</u> |
| Total program services | | |
| Supporting services | | |
| Management and general | 973,654 | 858,579 |
| Fund raising | 6,368 | 11,368 |
| | <u>980,022</u> | <u>869,947</u> |
| Total supporting services | | |
| Total expenses | <u>8,097,092</u> | <u>6,942,987</u> |
| Change in unrestricted net assets (Exhibit D) | 1,709,691 | 1,170,415 |
| Net assets - unrestricted - beginning of year | <u>3,238,390</u> | <u>2,067,975</u> |
| Net assets - unrestricted - end of year (Exhibit A) | <u>\$ 4,948,081</u> | <u>\$ 3,238,390</u> |

See independent auditor's report.

The accompanying notes are an integral part of these statements.

BRONX ACADEMY OF PROMISE CHARTER SCHOOL

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2015 AND 2014

| | <u>No. of Positions</u> | 2015 | | | | | |
|-------------------------------------|-----------------------------|-------------------------|------------------------------|--------------|---------------------------------------|-------------------------|--------------|
| | | <u>Program Services</u> | | | <u>Supporting Services</u> | | |
| | | <u>Education</u> | <u>Special Education</u> | <u>Total</u> | <u>Management and General</u> | <u>Fund Raising</u> | <u>Total</u> |
| Salaries | | | | | | | |
| Administrative | 6 | \$ 191,264 | \$ 46,002 | \$ 237,266 | \$ 361,460 | \$ 3,277 | \$ 602,003 |
| Instructional | 51 | 2,335,081 | 401,428 | 2,736,509 | | | 2,736,509 |
| Noninstructional | 10 | 103,827 | 117,196 | 221,023 | 38,925 | | 259,948 |
| | | | | | | | |
| Total salaries | | 2,630,172 | 564,626 | 3,194,798 | 400,385 | 3,277 | 3,598,460 |
| Payroll taxes and employee benefits | | 580,752 | 124,672 | 705,424 | 88,406 | 724 | 794,554 |
| Occupancy (Note 4) | | 1,322,825 | 283,974 | 1,606,799 | 201,370 | 1,648 | 1,809,817 |
| Supplies and equipment | | 166,539 | 28,630 | 195,169 | | | 195,169 |
| Repairs and maintenance | | 82,189 | 17,644 | 99,833 | 12,511 | 102 | 112,446 |
| Professional fees | | 622,276 | 56,835 | 679,111 | 230,616 | 329 | 910,056 |
| Insurance | | 36,678 | 7,874 | 44,552 | 5,583 | 46 | 50,181 |
| Food service fees | | 263,116 | 45,233 | 308,349 | | | 308,349 |
| Staff development | | 3,342 | 575 | 3,917 | 5,207 | | 9,124 |
| Technology services | | 12,588 | 2,702 | 15,290 | 1,916 | 16 | 17,222 |
| Office expenses | | 76,592 | 12,982 | 89,574 | 9,206 | 75 | 98,855 |
| Marketing/recruitment | | 27,654 | | 27,654 | | | 27,654 |
| Depreciation | | 88,815 | 19,066 | 107,881 | 13,520 | 111 | 121,512 |
| Miscellaneous expenses | | 31,876 | 6,843 | 38,719 | 4,934 | 40 | 43,693 |
| | | | | | | | |
| Total expenses (Exhibit B) | | \$ 5,945,414 | \$ 1,171,656 | \$ 7,117,070 | \$ 973,654 | \$ 6,368 | \$ 8,097,092 |

-continued-

BRONX ACADEMY OF PROMISE CHARTER SCHOOL

EXHIBIT C

-2-

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2015 AND 2014

| | <u>No. of Positions</u> | 2014 | | | | | |
|-------------------------------------|-----------------------------|-------------------------|------------------------------|---------------------|---------------------------------------|-------------------------|---------------------|
| | | <u>Program Services</u> | | | <u>Supporting Services</u> | | <u>Total</u> |
| | | <u>Education</u> | <u>Special Education</u> | <u>Total</u> | <u>Management and General</u> | <u>Fund Raising</u> | |
| Salaries | | | | | | | |
| Administrative | 10 | \$ 196,701 | \$ 35,886 | \$ 232,587 | \$ 356,837 | \$ 3,627 | \$ 593,051 |
| Instructional | 48 | 2,192,257 | 311,099 | 2,503,356 | | | 2,503,356 |
| Noninstructional | 3 | 147,507 | 20,933 | 168,440 | | | 168,440 |
| Total salaries | | 2,536,465 | 367,918 | 2,904,383 | 356,837 | 3,627 | 3,264,847 |
| Payroll taxes and employee benefits | | 575,821 | 120,678 | 696,499 | 78,815 | 801 | 776,115 |
| Occupancy (Note 4) | | 1,235,030 | 264,027 | 1,499,057 | 176,447 | 6,277 | 1,681,781 |
| Supplies and equipment | | 192,158 | 29,445 | 221,603 | 6,467 | 45 | 228,115 |
| Repairs and maintenance | | 9,065 | 1,956 | 11,021 | 1,354 | 14 | 12,389 |
| Printing and postage | | 23,309 | 5,029 | 28,338 | 1,417 | 35 | 29,790 |
| Professional fees | | 462,018 | 53,248 | 515,266 | 198,323 | 375 | 713,964 |
| Insurance | | 33,974 | 7,330 | 41,304 | 5,075 | 52 | 46,431 |
| Travel | | 45,923 | 4,748 | 50,671 | 3,287 | 33 | 53,991 |
| Professional development | | 8,129 | 1,154 | 9,283 | 19,738 | | 29,021 |
| Food service fees | | 9,129 | 1,295 | 10,424 | 968 | 10 | 11,402 |
| Technology services | | 23,578 | 5,087 | 28,665 | 3,522 | 36 | 32,223 |
| Depreciation | | 41,807 | 9,020 | 50,827 | 6,245 | 63 | 57,135 |
| Miscellaneous expenses | | 5,699 | | 5,699 | 84 | | 5,783 |
| Total expenses (Exhibit B) | | <u>\$ 5,202,105</u> | <u>\$ 870,935</u> | <u>\$ 6,073,040</u> | <u>\$ 858,579</u> | <u>\$ 11,368</u> | <u>\$ 6,942,987</u> |

See independent auditor's report.

The accompanying notes are an integral part of these statements.

EXHIBIT D**BRONX ACADEMY OF PROMISE CHARTER SCHOOL****STATEMENT OF CASH FLOWS****YEARS ENDED JUNE 30, 2015 AND 2014**

| | <u>2015</u> | <u>2014</u> |
|--------------------------------------------------------------------------------------------|---------------------|---------------------|
| Cash flows from operating activities | | |
| Change in net assets (Exhibit B) | \$ 1,709,691 | \$ 1,170,415 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 121,512 | 57,135 |
| Decrease (increase) in assets | | |
| Grants and contracts receivable | (219,313) | (225,005) |
| Security deposits | (150,000) | |
| Prepaid expenses | (304) | (100,511) |
| Increase (decrease) in liabilities | | |
| Accounts payable and accrued expenses | (49,378) | 62,289 |
| Accrued salaries and related liabilities | 75,107 | 198,713 |
| Deferred rent | 410,796 | 499,126 |
| Net cash provided by operating activities | 1,898,111 | 1,662,162 |
| Cash flows from investing activities | | |
| Fixed asset acquisitions | (152,646) | (184,587) |
| Net increase in cash | 1,745,465 | 1,477,575 |
| Cash - beginning of year | 3,089,816 | 1,612,241 |
| Cash - end of year | \$ <u>4,835,281</u> | \$ <u>3,089,816</u> |

See independent auditor's report.

The accompanying notes are an integral part of these statements.

BRONX ACADEMY OF PROMISE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE 1 - NATURE OF ORGANIZATION

Bronx Academy of Promise Charter School (BAOP) is an educational corporation that operates as a charter school in the borough of Bronx, New York City. On April 21, 2008, the Board of Regents and the Board of Trustees of the University of the State of New York, for and on behalf of the State Education Department, granted BAOP a charter valid for a term of 5 years and renewable upon expiration. On June 1, 2013, BAOP's charter was renewed until January 15, 2018. BAOP was organized to increase learning opportunities for students through innovative educational programs and to enable parents to be more involved in their children's education. In fiscal year 2015, BAOP operated classes for 641 students in grades K-8. BAOP began operations on May 1, 2008.

BAOP is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. BAOP is supported primarily by state and local per-pupil operating revenues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

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

Cash held in escrow - BAOP established an escrow account of \$70,000 as of June 30, 2015 and 2014, which is held aside for contingency purposes as required by the New York City Department of Education.

Receivables - Receivables are recorded when services are rendered. Receivables are presented net of allowances for doubtful accounts. The allowances are based on management's evaluation of the collectibility of the related accounts. Interest is not accrued or recorded on outstanding receivables.

-continued-

BRONX ACADEMY OF PROMISE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015 AND 2014****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Allowance for doubtful accounts - BAOP determines whether an allowance for uncollectibles should be provided for receivables. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. BAOP has determined that no allowance for uncollectible accounts for grant and contracts receivable is necessary as of June 30, 2015.

Fixed assets - Fixed assets including leasehold improvements are recorded at cost. Items with a cost of \$3,000 and an estimated useful life of more than one year are capitalized.

Depreciation is computed on the straight-line basis over the estimated useful lives of 3-5 years. Depreciation and amortization on leasehold improvements are amortized on the straight-line basis over the lesser of their useful lives of 37-39 years or the term of the lease, whichever is shorter.

Due to New York City Department of Education - Due to New York City Department of Education is recorded when payments received exceed the per-pupil revenue.

Deferred rent - Operating leases are recorded on the straight-line basis over the term of the lease. Deferred rent is recorded where there are material differences between the fixed payment and the rent expense.

Unrestricted net assets - Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors.

State and local per-pupil revenues - Revenues from the state and local governments resulting from BAOP's charter status and based on the number of students enrolled are recorded when services are performed in accordance with the charter agreement. Federal and state funds are recorded by BAOP when expenditures are incurred and billed.

Government grants and contracts - Revenues from government grants and contracts to which BAOP is entitled are recognized mostly on student enrollment. Some grants are provided for specific educational endeavors which are not based on student enrollment and are recorded when related expenditures are incurred by BAOP.

-continued-

BRONX ACADEMY OF PROMISE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donors. The gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Functional allocation of expenses - The costs of providing BAOP's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Operating leases - Operating lease payments are charged to rental expense. Operating lease expense has been recorded on the straight-line basis over the life of the lease. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

Uncertainty in income taxes - BAOP has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2012 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through October 22, 2015, which is the date the financial statements were available to be issued.

NOTE 3 - FIXED ASSETS

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------|-------------------|-------------------|
| Furniture, fixtures and equipment | \$ 614,440 | \$ 483,293 |
| Leasehold improvements | <u>199,140</u> | <u>177,641</u> |
| | 813,580 | 660,934 |
| Accumulated depreciation | <u>(450,005)</u> | <u>(328,493)</u> |
| | <u>\$ 363,575</u> | <u>\$ 332,441</u> |

-continued-

BRONX ACADEMY OF PROMISE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE 4 - LEASE COMMITMENT

In August 2012, BAOP entered into a new lease of a school building located at 1349 Inwood Avenue Bronx, NY. Rent expense as of June 30, 2015 and 2014 was \$1,208,340 and \$864,646, respectively. A security deposit of \$500,000 was paid for the facility at 1349 Inwood Avenue, which is refundable at the demise of the lease. The lease will expire on July 31, 2027. The School is currently in negotiations for a space adjacent to the school building and have put down an additional \$150,000 security deposit.

The future minimum lease payments as of June 30, 2015 are:

| | |
|------------|----------------------|
| 2016 | \$ 1,448,956 |
| 2017 | 1,492,425 |
| 2018 | 1,537,197 |
| 2019 | 1,583,313 |
| 2020 | 1,630,813 |
| Thereafter | <u>12,870,992</u> |
| | <u>\$ 20,563,696</u> |

NOTE 5 - PENSIONS

BOAP adopted a 403(b) profit sharing plan (the "Plan") which covers most of the employees. The Plan is a defined contribution plan. Employees are eligible to enroll in the Plan on the first day of the plan year. Those employees who have completed at least 1 full year of service are also eligible for employer contribution. The Plan provides for BAOP to contribute up to 5% of an employee's salary. BAOP contribution does not become vested until completion of the first year of employment. For the fiscal years ended June 30, 2015 and 2014, pension expense for BAOP was \$58,339 and \$55,004, respectively.

-continued-

BRONX ACADEMY OF PROMISE CHARTER SCHOOL**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2015 AND 2014****NOTE 6 - CONTINGENCIES AND CONCENTRATIONS**

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.

Financial instruments that potentially subject BAOP to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits. Management believes that the credit risk related to these accounts is minimal.

A significant portion of BAOP's operating revenue is paid by New York City Department of Education.

BRONX ACADEMY OF PROMISE CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

| <u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-through Entity Identification Number</u> | <u>Federal Expenditures</u> |
|---------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|--------------------------------------------------------------|---------------------------------|
| U.S. Department of Agriculture National School Lunch Program Passed through New York State Education Department | 10.555 | 320900860913 | \$ <u>431,039</u> |
| Total U.S. Department of Agriculture | | | <u>431,039</u> |
| U.S. Department of Education Title I Grants to Local Educational Agencies Passed through New York State Education Department | 84.010 | 0021-15-43-85 | <u>313,542</u> |
| Total Title I Grants to Local Educational Agencies | | | <u>313,542</u> |
| Improving Teacher Quality State Grants Passed through New York State Education Department | 84.367 | 0147-15-4385 | <u>14,662</u> |
| Total Improving Teacher Quality State Grants | | | <u>14,662</u> |
| Total U.S. Department of Education | | | <u>328,204</u> |
| Total expenditures of federal awards | | | <u>\$ 759,243</u> |

See independent auditor's report.

The accompanying notes are an integral part of this schedule.

BRONX ACADEMY OF PROMISE CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015 AND 2014

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Bronx Academy of Promise Charter School under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Bronx Academy of Promise Charter School, it is not intended to and does not present the financial position, changes in net assets or cash flows of Bronx Academy of Promise Charter School.

NOTE 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 OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 - SUBRECIPIENTS

There were no payments made to subrecipients for federal awards received during the year ended June 30, 2015.



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

Independent Auditor's Report

**Board of Trustees
Bronx Academy of Promise 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 Academy of Promise Charter School, which comprise the balance sheet as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bronx Academy of Promise Charter School's internal control over financial reporting (internal control) to determine the 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 Bronx Academy of Promise Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Bronx Academy of Promise Charter 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.

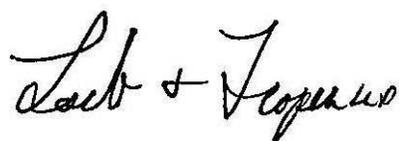
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bronx Academy of Promise Charter 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



October 22, 2015



**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance**

Independent Auditor's Report

**Board of Trustees
Bronx Academy of Promise Charter School**

Report on Compliance for Each Major Federal Program

We have audited Bronx Academy of Promise Charter School's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bronx Academy of Promise Charter School's major federal programs for the year ended June 30, 2015. Bronx Academy of Promise Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bronx Academy of Promise Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bronx Academy of Promise Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bronx Academy of Promise Charter School's compliance.

Opinion on Each Major Federal Program

In our opinion, Bronx Academy of Promise Charter 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, 2015.

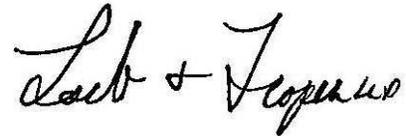
Report on Internal Control Over Compliance

Management of Bronx Academy of Promise Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bronx Academy of Promise Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bronx Academy of Promise Charter School's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, reading "Loeb & Troper" in a cursive script.

March 2, 2016

BRONX ACADEMY OF PROMISE CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes X no
 Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance
 for major programs: Unmodified

Any audit findings disclosed that are required to be reported
 in accordance with Section 510(a) of Circular A-133? yes X no

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|----------------------------------------------|
| 10.555 | National School Lunch Program |
| 84.010 | Title I Grants to Local Educational Agencies |

Dollar threshold used to distinguish between
 Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

BRONX ACADEMY OF PROMISE CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.