

**BRONX ACADEMY OF  
PROMISE CHARTER SCHOOL**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORTS**

**JUNE 30, 2017 AND 2016**

**BRONX ACADEMY OF PROMISE CHARTER SCHOOL**

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## **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, 2017 and 2016, 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.

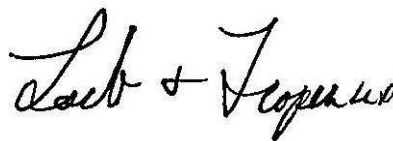
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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, 2017 and 2016, 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bronx Academy of Promise Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bronx Academy of Promise Charter School's internal control over financial reporting and compliance.



October 27, 2017

## BRONX ACADEMY OF PROMISE CHARTER SCHOOL

## BALANCE SHEET

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 8,184,728	\$ 6,892,600
Cash held in escrow	70,000	70,000
Grants and contracts receivable	365,740	233,831
Security deposits (Note 4)	690,815	690,815
Prepaid expenses	184,977	271,423
	<u>9,496,260</u>	<u>8,158,669</u>
Fixed assets - net (Note 3)	<u>226,571</u>	<u>298,940</u>
Total assets	<u>\$ 9,722,831</u>	<u>\$ 8,457,609</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 188,351	\$ 114,365
Accrued salaries and related liabilities	402,363	630,475
Deferred revenue	31,645	
Deferred rent	1,605,028	1,270,479
	<u>2,227,387</u>	<u>2,015,319</u>
Net assets - unrestricted (Exhibit B)	<u>7,495,444</u>	<u>6,442,290</u>
Total liabilities and net assets	<u>\$ 9,722,831</u>	<u>\$ 8,457,609</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, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Revenues		
Resident student enrollment	\$ 8,855,883	\$ 8,284,423
Students with disabilities	743,932	840,099
Government grants and contracts	948,552	924,459
Contributions	23,435	64,530
Miscellaneous income	559	421
	<u>10,572,361</u>	<u>10,113,932</u>
Total revenues		
Expenses (Exhibit C)		
Program services		
Education	7,163,126	6,284,445
Special education	633,854	1,215,777
	<u>7,796,980</u>	<u>7,500,222</u>
Total program services		
Supporting services		
Management and general	1,677,621	1,114,313
Fund raising	44,606	5,188
	<u>1,722,227</u>	<u>1,119,501</u>
Total supporting services		
Total expenses	<u>9,519,207</u>	<u>8,619,723</u>
Change in unrestricted net assets (Exhibit D)	1,053,154	1,494,209
Net assets - unrestricted - beginning of year	<u>6,442,290</u>	<u>4,948,081</u>
Net assets - unrestricted - end of year (Exhibit A)	<u>\$ 7,495,444</u>	<u>\$ 6,442,290</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, 2017 AND 2016**

	No. of Positions	2017					
		Program Services			Supporting Services		
		Education	Special Education	Total	Management and General	Fund Raising	Total
Salaries							
Administrative	10	\$ 203,447	\$ 62,898	\$ 266,345	\$ 614,299	\$ 9,233	\$ 889,877
Instructional	59	3,007,188	243,805	3,250,993			3,250,993
Noninstructional	8	127,946	10,373	138,319	174,964		313,283
Total salaries		3,338,581	317,076	3,655,657	789,263	9,233	4,454,153
Payroll taxes and employee benefits		866,017	82,248	948,265	204,733	2,395	1,155,393
Occupancy (Note 4)		1,336,328	110,293	1,446,621	276,931	3,253	1,726,805
Supplies and equipment		145,362	11,814	157,176	495	6	157,677
Repairs and maintenance		123,251	11,706	134,957	29,137	341	164,435
Professional fees		660,307	40,681	700,988	277,087	1,185	979,260
Insurance		42,079	3,996	46,075	9,948	116	56,139
Food service fees		303,376	24,596	327,972			327,972
Staff development		12,941	1,049	13,990	14,340		28,330
Technology services		25,133	2,387	27,520	5,942	70	33,532
Office expenses		101,834	9,671	111,505	24,074	282	135,861
Marketing/recruitment		14,848		14,848		27,191	42,039
Depreciation		137,552	13,064	150,616	32,518	380	183,514
Miscellaneous expenses		55,517	5,273	60,790	13,153	154	74,097
Total expenses (Exhibit B)		\$ 7,163,126	\$ 633,854	\$ 7,796,980	\$ 1,677,621	\$ 44,606	\$ 9,519,207

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**BRONX ACADEMY OF PROMISE CHARTER SCHOOL**

**EXHIBIT C**

**-2-**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEARS ENDED JUNE 30, 2017 AND 2016**

	No. of Positions	2016					
		Program Services			Supporting Services		Total
		Education	Special Education	Total	Management and General	Fund Raising	
Salaries							
Administrative	8	\$ 170,527	\$ 53,257	\$ 223,784	\$ 420,762	\$ 2,645	\$ 647,191
Instructional	55	2,540,310	355,915	2,896,225			2,896,225
Noninstructional	10	106,243	183,454	289,697	40,925		330,622
Total salaries		2,817,080	592,626	3,409,706	461,687	2,645	3,874,038
Payroll taxes and employee benefits		647,996	136,281	784,277	106,112	608	890,997
Occupancy (Note 4)		1,371,011	288,418	1,659,429	224,693	1,287	1,885,409
Supplies and equipment		109,746	15,376	125,122			125,122
Repairs and maintenance		98,089	20,635	118,724	16,076	92	134,892
Professional fees		681,047	71,031	752,078	255,909	317	1,008,304
Insurance		36,267	7,629	43,896	5,944	34	49,874
Food service fees		266,048	37,275	303,323			303,323
Staff development		3,536	495	4,031	7,751		11,782
Technology services		20,311	4,273	24,584	3,329	19	27,932
Office expenses		60,667	12,431	73,098	9,684	55	82,837
Marketing/recruitment		7,242		7,242			7,242
Depreciation		112,468	23,660	136,128	18,432	106	154,666
Miscellaneous expenses		52,937	5,647	58,584	4,696	25	63,305
Total expenses (Exhibit B)		\$ 6,284,445	\$ 1,215,777	\$ 7,500,222	\$ 1,114,313	\$ 5,188	\$ 8,619,723

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, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 1,053,154	\$ 1,494,209
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	183,514	154,666
Decrease (increase) in assets		
Grants and contracts receivable	(131,909)	253,958
Prepaid expenses	86,446	(114,639)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	73,986	(51,276)
Accrued salaries and related liabilities	(228,112)	49,875
Deferred revenue	31,645	
Deferred rent	334,549	360,557
Net cash provided by operating activities	1,403,273	2,147,350
Cash flows from investing activities		
Fixed asset acquisitions	(111,145)	(90,031)
Net increase in cash	1,292,128	2,057,319
Cash - beginning of year	6,892,600	4,835,281
Cash - end of year	<u>\$ 8,184,728</u>	<u>\$ 6,892,600</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, 2017 AND 2016

### 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 is in the process of renewing their charter for another five years. 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 years 2017 and 2016, BAOP operated classes for 652 and 638 students in grades K-8, respectively. 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, 2017 and 2016, 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.

***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, 2017.

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**BRONX ACADEMY OF PROMISE CHARTER SCHOOL****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2017 AND 2016****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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.

***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.

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**BRONX ACADEMY OF PROMISE CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*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.

*Reclassification* - Resident student enrollment and student with disabilities revenues for 2016 have been reclassified to conform to current presentation.

*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, 2014 and subsequent remain subject to examination by applicable taxing authorities.

*Subsequent events* - Subsequent events have been evaluated through October 27, 2017, which is the date the financial statements were available to be issued.

**NOTE 3 - FIXED ASSETS**

	<u>2017</u>	<u>2016</u>
Furniture, fixtures and equipment	\$ 732,017	\$ 659,471
Leasehold improvements	<u>282,739</u>	<u>244,140</u>
	1,014,756	903,611
Accumulated depreciation	<u>(788,185)</u>	<u>(604,671)</u>
	<u>\$ 226,571</u>	<u>\$ 298,940</u>

**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 is recognized on a straight-line basis and was \$1,613,521 as of June 30, 2017 and 2016 per year. 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 has put down an additional \$150,000 security deposit.

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**BRONX ACADEMY OF PROMISE CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

**NOTE 4 - LEASE COMMITMENT (continued)**

The future minimum lease payments as of June 30, 2017 are:

2018	\$ 1,488,802
2019	1,579,470
2020	1,579,470
2021	1,626,854
2022	1,675,660
Thereafter	<u>9,605,233</u>
	<u>\$ 17,555,491</u>

**NOTE 5 - PENSIONS**

BAOP 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 provided for BAOP to contribute up to 5% of an employee's salary in 2016. In 2017, BAOP increased the contribution to 6% of an employee's salary. BAOP's contribution does not become vested until completion of the first year of employment. For the fiscal years ended June 30, 2017 and 2016, pension expense for BAOP was \$118,414 and \$68,893, respectively.

**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.

91% of BAOP's operating revenue is paid by New York City Department of Education.



**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, 2017 and 2016, 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 27, 2017.

***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.

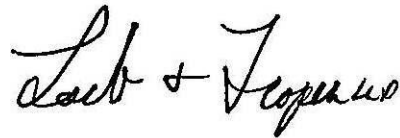
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not 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 27, 2017

**BRONX ACADEMY OF PROMISE  
CHARTER SCHOOL**

**MANAGEMENT LETTER**

**JUNE 30, 2017**





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

In planning and performing our audit of the financial statements of Bronx Academy of Promise Charter School as of and for the year ended June 30, 2017 in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This communication is intended solely for the information and use of management, the Board of Trustees and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Loeb &amp; Troper LLP".

October 27, 2017