

# **Broome Street Academy Charter High School**

Independent Auditor's Reports and Financial Statements

June 30, 2021 and 2020



# Broome Street Academy Charter High School

June 30, 2021 and 2020

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## Independent Auditor's Report

Board of Trustees  
Broome Street Academy Charter High School  
New York, New York

### Report on the Financial Statements

We have audited the accompanying financial statements of Broome Street Academy Charter High School, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 Broome Street Academy Charter High School, as of June 30, 2021, 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.

### ***Prior Year Audited by Other Auditors***

The 2020 financial statements were audited by other auditors, whose unmodified opinion on those statements thereon, dated October 30, 2020, included an emphasis paragraph that described changes in accounting principles for contributions and revenue from contracts with customers.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information within the 2021 statement of functional expenses 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 2021 financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated November 1, 2021, on our consideration of Broome Street Academy Charter High 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 Broome Street Academy Charter High 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 Broome Street Academy Charter High School's internal control over financial reporting and compliance.

**BKD, LLP**

New York, New York  
November 1, 2021

**Broome Street Academy Charter High School**  
**Statements of Financial Position**  
**June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,133,718	\$ 821,882
Investments	1,638,697	1,638,697
Grants, contracts and other receivables	161,331	213,819
Due from affiliate (The Door)	654,418	108,773
Prepaid expenses and other assets	62,593	45,015
Total current assets	3,650,757	2,828,186
Restricted cash	75,492	75,476
Property and equipment, net	73,843	70,228
Total assets	\$ 3,800,092	\$ 2,973,890
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 839,129	\$ 772,546
Refundable advances	201,351	-
Other liabilities	63,385	55,161
Total liabilities	1,103,865	827,707
<b>Net Assets</b>		
Without donor restrictions		
Undesignated for general use	2,546,892	2,000,479
Reserve - contingency	75,492	75,476
Net investment in property and equipment	73,843	70,228
Total net assets	2,696,227	2,146,183
Total liabilities and net assets	\$ 3,800,092	\$ 2,973,890

**Broome Street Academy Charter High School**  
**Statements of Activities**  
**Years Ended June 30, 2021 and 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue</b>						
State and local per pupil operating revenue						
Resident student enrollment	\$ 5,066,764	\$ -	\$ 5,066,764	\$ 4,832,807	\$ -	\$ 4,832,807
Students with disabilities	832,374	-	832,374	943,918	-	943,918
Other	62,540	-	62,540	69,046	-	69,046
New York Department of Education rental assistance	395,057	-	395,057	185,743	-	185,743
Government grants and contracts	79,684	-	79,684	-	207,571	207,571
Contributed services	64,092	-	64,092	86,554	-	86,554
Net assets released from restrictions	-	-	-	207,571	(207,571)	-
Total operating revenue	<u>6,500,511</u>	<u>-</u>	<u>6,500,511</u>	<u>6,325,639</u>	<u>-</u>	<u>6,325,639</u>
<b>Operating Expenses</b>						
Program services						
Regular education	3,840,574	-	3,840,574	3,922,201	-	3,922,201
Special education	1,346,382	-	1,346,382	1,353,080	-	1,353,080
Total program services	<u>5,186,956</u>	<u>-</u>	<u>5,186,956</u>	<u>5,275,281</u>	<u>-</u>	<u>5,275,281</u>
Supporting services						
Management and general	1,455,737	-	1,455,737	1,371,899	-	1,371,899
Total operating expenses	<u>6,642,693</u>	<u>-</u>	<u>6,642,693</u>	<u>6,647,180</u>	<u>-</u>	<u>6,647,180</u>
Net deficit from school operations	<u>(142,182)</u>	<u>-</u>	<u>(142,182)</u>	<u>(321,541)</u>	<u>-</u>	<u>(321,541)</u>
<b>Public Support and Other Revenues</b>						
Contributions	127,923	-	127,923	200,285	-	200,285
Foundation and corporate support	469,063	-	469,063	555,787	-	555,787
Special events, net of expenses of \$24,932 in 2021 and \$51,218 in 2020	325,000	-	325,000	325,000	-	325,000
Total public support	<u>921,986</u>	<u>-</u>	<u>921,986</u>	<u>1,081,072</u>	<u>-</u>	<u>1,081,072</u>
Other revenues (expenses)						
Interest income	1,035	-	1,035	26,397	-	26,397
Miscellaneous	-	-	-	17,873	-	17,873
Fundraising expenses	(230,795)	-	(230,795)	(276,222)	-	(276,222)
Total public support and other revenues (expenses)	<u>692,226</u>	<u>-</u>	<u>692,226</u>	<u>849,120</u>	<u>-</u>	<u>849,120</u>
<b>Change in Net Assets</b>	<u>550,044</u>	<u>-</u>	<u>550,044</u>	<u>527,579</u>	<u>-</u>	<u>527,579</u>
<b>Net Assets, Beginning of Year</b>	<u>2,146,183</u>	<u>-</u>	<u>2,146,183</u>	<u>1,618,604</u>	<u>-</u>	<u>1,618,604</u>
<b>Net Assets, End of Year</b>	<u>\$ 2,696,227</u>	<u>\$ -</u>	<u>\$ 2,696,227</u>	<u>\$ 2,146,183</u>	<u>\$ -</u>	<u>\$ 2,146,183</u>

**Broome Street Academy Charter High School**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2021 and 2020**

	* No. of Positions	2021							
		Program Services			Supporting Services				
		Regular Education	Special Education	Total	Management and General	Fundraising Expenses	Special Events	Total	Total
Administrative staff	11	\$ 314,873	\$ 108,934	\$ 423,807	\$ 358,896	\$ 41,131	\$ -	\$ 400,027	\$ 823,834
Instructional personnel	40	1,826,812	591,963	2,418,775	-	-	-	-	2,418,775
Non-instructional personnel	11	478,964	231,691	710,655	83,505	-	-	83,505	794,160
<b>Total salaries</b>	<b>62</b>	<b>2,620,649</b>	<b>932,588</b>	<b>3,553,237</b>	<b>442,401</b>	<b>41,131</b>	<b>-</b>	<b>483,532</b>	<b>4,036,769</b>
Employee benefits and payroll taxes		549,028	209,739	758,767	151,285	7,579	-	158,864	917,631
Professional and administration fees		46,514	14,869	61,383	673,195	180,047	13,754	866,996	928,379
Occupancy costs		343,120	102,679	445,799	81,223	-	-	81,223	527,022
Equipment and software maintenance		89,023	27,664	116,687	29,210	686	1,180	31,076	147,763
Office supplies and material		19,304	5,829	25,133	16,302	-	-	16,302	41,435
Advertising and recruitment		31,116	10,038	41,154	1,162	-	-	1,162	42,316
Youth events		29,837	8,436	38,273	4,853	-	-	4,853	43,126
Telephone		33,334	9,928	43,262	7,676	-	-	7,676	50,938
Insurance expense		24,480	7,323	31,803	4,726	-	-	4,726	36,529
Staff development and meetings		9,132	3,014	12,146	7,074	-	2,179	9,253	21,399
Membership dues		5,600	1,697	7,297	60	-	-	60	7,357
Miscellaneous expenses		10,040	3,196	13,236	26,477	300	3,848	30,625	43,861
Postage and printing		3,876	1,158	5,034	3,228	1,052	3,971	8,251	13,285
Travel		-	-	-	1,159	-	-	1,159	1,159
Depreciation and amortization		25,521	8,224	33,745	5,706	-	-	5,706	39,451
<b>Total expenses</b>		<b>\$ 3,840,574</b>	<b>\$ 1,346,382</b>	<b>\$ 5,186,956</b>	<b>\$ 1,455,737</b>	<b>\$ 230,795</b>	<b>\$ 24,932</b>	<b>\$ 1,711,464</b>	<b>\$ 6,898,420</b>

\* Supplementary information

**Broome Street Academy Charter High School**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2021 and 2020 (Continued)**

	2020						
	Program Services			Supporting Services			
	Regular Education	Special Education	Total	Management and General	Fundraising Expenses	Total	Total
Salaries	\$ 2,588,725	\$ 903,610	\$ 3,492,335	\$ 666,059	\$ 42,436	\$ 708,495	\$ 4,200,830
Employee benefits and payroll taxes	530,703	189,382	720,085	142,634	6,292	148,926	869,011
Total salaries and related expenses	3,119,428	1,092,992	4,212,420	808,693	48,728	857,421	5,069,841
Professional and administration fees	140,839	44,489	185,328	409,380	175,004	584,384	769,712
Occupancy costs	331,895	111,799	443,694	84,355	2,709	87,064	530,758
Equipment and software maintenance	107,496	33,446	140,942	13,686	30,822	44,508	185,450
Office supplies and material	47,429	14,969	62,398	5,517	688	6,205	68,603
Advertising and recruitment	23,988	8,511	32,499	23,993	-	23,993	56,492
Youth events	32,078	10,640	42,718	759	-	759	43,477
Telephone	27,712	7,810	35,522	5,960	-	5,960	41,482
Student meals	26,008	8,199	34,207	-	-	-	34,207
Insurance expense	23,627	6,823	30,450	5,214	-	5,214	35,664
Staff development and meetings	7,972	2,304	10,276	2,523	9,095	11,618	21,894
Membership dues	10,390	3,299	13,689	660	-	660	14,349
Miscellaneous expenses	1,903	1,147	3,050	4,669	6,776	11,445	14,495
Postage and printing	2,737	754	3,491	2,637	2,114	4,751	8,242
Travel	264	76	340	58	286	344	684
Depreciation and amortization	18,435	5,822	24,257	3,795	-	3,795	28,052
Total expenses	<u>\$ 3,922,201</u>	<u>\$ 1,353,080</u>	<u>\$ 5,275,281</u>	<u>\$ 1,371,899</u>	<u>\$ 276,222</u>	<u>\$ 1,648,121</u>	<u>\$ 6,923,402</u>

# Broome Street Academy Charter High School

## Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
<b>Operating Activities</b>		
Change in net assets	\$ 550,044	\$ 527,579
Items not requiring (providing) operating cash flows		
Depreciation and amortization	39,452	28,052
Donated stock	(16,664)	-
Realized gains on investments	(693)	-
Bad debt expense	18,885	-
Changes in		
Grants, contracts, and other receivables	33,603	(44,966)
Due from affiliate (The Door)	(545,645)	(108,773)
Prepaid expenses and other assets	(17,578)	10,144
Accounts payable and accrued expenses	66,583	72,528
Refundable advances	201,351	(94,656)
Due to affiliate (The Door)	-	(18,975)
Other liabilities	8,224	14,454
	337,562	385,387
<b>Investing Activities</b>		
Purchase of property and equipment	(43,067)	(84,061)
Sales of investments	17,357	-
Purchases of investments	-	(16,735)
	(25,710)	(100,796)
<b>Net Increase in Cash, Cash Equivalents and Restricted Cash</b>	311,852	284,591
<b>Cash, Cash Equivalents and Restricted Cash, Beginning of Year</b>	897,358	612,767
<b>Cash, Cash Equivalents and Restricted Cash, End of Year</b>	\$ 1,209,210	\$ 897,358
<b>Cash, Cash Equivalents and Restricted Cash Consist of:</b>		
Cash and cash equivalents	\$ 1,133,718	\$ 821,882
Restricted cash	75,492	75,476
	\$ 1,209,210	\$ 897,358

# Broome Street Academy Charter High School

## Notes to Financial Statements

June 30, 2021 and 2020

### Note 1: Nature of Organization and Summary of Significant Accounting Policies

#### ***Nature of Operations***

Broome Street Academy Charter High School (the School) is a New York State educational corporation operating as a charter school in Manhattan, New York. On October 19, 2010, the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration. In April 2016, the School's charter was renewed for five additional years. The School's charter states that it will provide instruction to students in the ninth through twelfth grades for a period of five years.

Broome Street Academy Charter High School prepares its students for post-secondary success that leads to positive life outcomes. The School values student strengths and provides multiple pathways to success through a curriculum of rigorous academic, career and social instruction grounded in the principles of the necessary skills and support to graduate, while preparing them for a successful future beyond high school. The School's admissions policy gives preference to students who are homeless, in foster care, or from low performing middle schools.

The School opened in the fall of 2011 with a freshman class. Since then, the School grew by one grade level at a time until it hit capacity (ninth through twelfth grade) in the 2015-2016 school year. The School's model merges academic, social, and emotional services to prepare students to graduate with a New York State Regents diploma, providing opportunities for a successful future. Additionally, the School is partnered with, and housed within, The Door – A Center of Alternatives, Inc. (The Door), a nonprofit organization organized pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code). Founded in 1972, The Door is a leading youth development agency that offers a full range of supportive programming in the areas of health, mental health, career and workforce development, legal services, supportive housing, and arts and recreation. Through the support found at the School and The Door, New York City's most at-risk students will realize their greatest potential. All programs were provided remotely during the year ended June 30, 2021.

#### ***Use of Estimates***

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

#### ***Cash and Cash Equivalents***

The School considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts are considered to be cash and cash equivalents. At June 30, 2021 and 2020, cash equivalents consisted primarily of money market accounts.

# Broome Street Academy Charter High School

## Notes to Financial Statements

June 30, 2021 and 2020

At June 30, 2021, the School's cash accounts exceeded federally insured limits by approximately \$813,000.

### ***Cash Held in Escrow***

Accounts restricted externally by regulators are considered to be restricted cash.

As part of the School's charter agreement, the School established a long-term reserve account to pay for legal and audit expenses that would be associated with a dissolution should it occur.

### ***Investments and Net Investment Return***

Investments are carried at fair value. Investment return includes dividend, interest, and realized and unrealized gains and losses on investments carried at fair value, net of external investment fees. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Broome Street Academy Charter High School's investments have been classified as current based on the availability of these investments to fund current operations as needed.

Investment return is reflected in the statements of activities with or without donor restriction based upon the existence and nature of any donation or legally imposed restriction.

### ***Grants and Contracts Revenue and Receivables***

Revenues from government grants and contracts to which the School is entitled are recognized mostly on student enrollment. Some grants are provided for specific educational endeavors which are not based on student enrollment and are recorded when related expenditures are incurred by the School. Receivables are recorded when the revenue is earned. No allowance for doubtful accounts was deemed necessary as of June 30, 2021 and 2020.

### ***Refundable Advances***

The School records certain government grants and contracts as refundable advances and deferred revenue until related services are performed, at which time it is recognized as revenue.

### ***Property and Equipment***

Property and equipment acquisitions over \$5,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are charged to expense on the straight-line basis over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Leasehold improvements	3-5 years
Computer equipment and software	3-5 years
Furniture and equipment	3-5 years

# Broome Street Academy Charter High School

## Notes to Financial Statements

June 30, 2021 and 2020

### ***Long-Lived Asset Impairment***

The School evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2021 and 2020.

### ***Net Assets***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions are subject to donor or grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

### ***State and Local Per-Pupil Operating Revenues***

Revenues from the state and local governments resulting from the School's charter status and based on the number of students enrolled are recorded when services are performed in accordance with the charter agreement. These grants are recorded as revenue by the School when services are rendered.

### ***Contributions***

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

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the School overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value

# Broome Street Academy Charter High School

## Notes to Financial Statements

June 30, 2021 and 2020

Nature of the Gift	Value Recognized
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

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

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

### **Contributed Services**

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

### **Income Taxes**

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the School is subject to federal income tax on any unrelated business taxable income. The School files tax returns in the U.S. federal jurisdiction.

### **Functional Allocation of Expenses**

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program and management and general categories based on estimates of time and effort, occupancy, number of students, and other methods.

# Broome Street Academy Charter High School

## Notes to Financial Statements

June 30, 2021 and 2020

### Note 2: Property and Equipment

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 950,322	\$ 950,322
Computer equipment and software	731,657	688,590
Furniture and equipment	<u>253,301</u>	<u>253,301</u>
	1,935,280	1,892,213
Accumulated depreciation and amortization	<u>(1,861,437)</u>	<u>(1,821,985)</u>
	<u>\$ 73,843</u>	<u>\$ 70,228</u>

### Note 3: Net Assets

#### *Net Assets Released from Restrictions*

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2021</u>	<u>2020</u>
Charter School - regular and special education	<u>\$ -</u>	<u>\$ 207,571</u>

### Note 4: Investments and Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

# Broome Street Academy Charter High School

## Notes to Financial Statements

June 30, 2021 and 2020

### **Recurring Measurements**

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021 and 2020:

	2021			
	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total	(Level 1)	(Level 2)	(Level 3)
Money market mutual funds - fixed income	\$ 1,638,697	\$ 1,638,697	\$ -	\$ -
Total	\$ 1,638,697	\$ 1,638,697	\$ -	\$ -

	2020			
	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total	(Level 1)	(Level 2)	(Level 3)
Money market mutual funds - fixed income	\$ 1,638,697	\$ 1,638,697	\$ -	\$ -
Total	\$ 1,638,697	\$ 1,638,697	\$ -	\$ -

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2021 and 2020.

# Broome Street Academy Charter High School

## Notes to Financial Statements

June 30, 2021 and 2020

### **Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. 100 percent of the School's investments are classified as Level 1.

### **Note 5: Significant Estimates and Concentrations**

GAAP requires disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

#### **Grants and Contracts**

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.

#### **Accounts Receivable and Revenue Concentrations**

54 percent and 33 percent of the School's accounts receivable are due from New York State as of June 30, 2021 and 2020, respectively. 99 percent of the School's operating revenues and public support were from New York State for the years ended June 30, 2021 and 2020.

### **Note 6: Liquidity and Availability**

The following represents the School's financial assets at June 30:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end		
Cash	\$ 1,133,718	\$ 821,882
Investments	1,638,697	1,638,697
Grants, contracts, and other receivables	<u>161,331</u>	<u>213,819</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,933,746</u>	<u>\$ 2,674,398</u>

# Broome Street Academy Charter High School

## Notes to Financial Statements

June 30, 2021 and 2020

The School has a policy to maintain available cash and short-term investments to meet 90 days of normal operating expenses, which are, on average, approximately \$1,400,000. The School manages its cash and liquid assets to ensure the availability of funds to meet its current expenses and liquidate its liabilities. In addition to these available financial assets, a significant portion of the School's annual expenditures will be funded by current year operating revenues, including program fees and grants.

### **Note 7: Retirement Plan**

The School sponsors a 403(b) thrift plan covering all employees. All employees are immediately eligible to begin making voluntary reduction contributions. The School has both an employer-based contribution and an employer matching contribution in the plan.

For the base employer contribution, employees must be at least age 21 and have two years of service to be eligible to start receiving the 3 percent employer base contribution. Participants will receive this base contribution regardless of whether they are contributing to the 403(b) plan or not. The employer base contribution is 100 percent immediately vested.

For the employer match, the participant must be at least age 21 and have two years of service with the School to be eligible to start receiving the employer match. After two years with the School, if a participant is voluntarily contributing 1 percent into the 403(b), the School will begin to put in an employer matching contribution equivalent to 3 percent. With employer match, the vesting is also 100 percent immediate.

Total expense for the years ended June 30, 2021 and 2020 was \$88,698 and \$65,664, respectively.

### **Note 8: Related-Party Transactions**

#### ***Administrative Services***

The Door is the sole member of the School and two members of the board of trustees of The Door are also members of the board of the School. The Door assisted with the establishment of the School in obtaining its charter, and acted as fiscal conduit for the School when it was incorporated.

Pursuant to an approved services agreement, the School paid The Door \$417,981 and \$405,808 during the years ended June 30, 2021 and 2020, respectively, for administrative support and fund-raising services, human resources services, fiscal management and information technology. There was also \$244,566 paid to The Door for shared services in 2021. Such amounts are included as professional and administrative fees in the statements of functional expenses. As of June 30, 2021 and 2020, the School has a receivable from The Door of \$654,418 and \$108,773, respectively.

# Broome Street Academy Charter High School

## Notes to Financial Statements

June 30, 2021 and 2020

### ***Lease Commitment***

The School has a five-year operating lease agreement, commencing on July 1, 2011, with The Door for classrooms and office space at 121 Avenue of the Americas, New York, NY, which expired on June 30, 2016. Pursuant to subsequent annual amendments to this lease agreement, the School paid The Door rent that amounted to \$520,512 for the years ended June 30, 2021 and 2020. Such amounts are included as occupancy cost in the statements of functional expenses.

As part of the lease amendment entered into in June 2021, the School extended the lease agreement with The Door for a one-year term, which is set to expire on June 30, 2022.

The future minimum lease payments as of June 30, 2021 are:

2022	<u>\$ 800,748</u>
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### ***Special Event***

During the year ended June 30, 2021, the School, together with The Door, held a joint special fundraising event from which the School's gross share of revenue amounted to \$348,438 and its net proceeds (after expenses of \$24,932) were \$325,000. During the year ended June 30, 2020, the School, together with The Door, held a joint special fundraising event from which the School's gross share of revenue amounted to \$376,218 and its net proceeds (after expenses of \$51,218) was \$325,000.

### ***Contributed Services***

In addition to receiving cash contributions, the School receives in-kind contributions of legal services from a member of the Board. It is the policy of the School to record the estimated fair value of certain contributed services as an expense in its financial statements, and similarly increase contribution revenue by the same amount. For the years ended June 30, 2021 and 2020, \$64,092 and \$80,115, respectively, was received in contributed services.

### **Note 9: Subsequent Events**

Subsequent events have been evaluated through November 1, 2021, which is the date the financial statements were available to be issued.

# Broome Street Academy Charter High School

## Notes to Financial Statements

June 30, 2021 and 2020

### Note 10: Future Accounting Change

#### *Accounting for Leases*

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021. The School is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have an impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

**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  
Broome Street Academy Charter High School  
New York, New York

We have audited, 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, the financial statements of Broome Street Academy Charter High School, which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2021.

***Internal Control over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-002 to be a significant deficiency.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Broome Street Academy Charter High School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Broome Street Academy Charter High School's Response to Findings***

Broome Street Academy Charter High School's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Broome Street Academy Charter High School's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### ***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 result 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.

**BKD, LLP**

New York, New York  
November 1, 2021

**Broome Street Academy Charter High School**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2021**

Reference Number	Summary of Findings
<p><b>2021-001</b></p> <p><b>Criteria:</b></p> <p><b>Condition:</b></p> <p><b>Cause:</b></p> <p><b>Effect:</b></p> <p><b>Recommendation:</b></p> <p><b>Views of Responsible Officials and Planned Corrective Actions:</b></p>	<p><b>Financial Records and Year-End Accounting Procedures</b></p> <p>Broome Street Academy Charter High School must prepare financial statements that reflect accurate information about its financial position, results of operations and changes in net assets for the fiscal year. In addition, Broome Street Academy Charter High School should adhere to its internal controls to provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management’s objectives, and compliance with laws and regulations.</p> <p>During our audit, we noted that detailed schedules supporting general ledger accounts were not prepared prior to the start of the audit, and when provided did not always agree with the general ledger balances. There were also certain balances and transactions that were classified incorrectly under GAAP.</p> <p>Management did not have adequate resources and personnel to review and perform the year-end close of the accounting records in a timely manner.</p> <p>During the audit, we noted a number of instances of incorrect analyses and inadequate review of work performed by others.</p> <p>A closing process should be implemented that requires all of the statement of financial position accounts to be reconciled to supporting statements and subsidiary ledgers. This will prevent incorrect balances or entries from being recorded. In addition, we strongly recommend that the Chief Financial Officer perform a thorough and detailed review of the financial statements as part of the financial statement close.</p> <p>Management acknowledges the seriousness of this finding for the period audited and has implemented remedies by putting in place the needed processes and reviews. The School is now current in updating and reporting all financial information.</p>

**Broome Street Academy Charter High School**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2021**

<b>Reference Number</b>	<b>Summary of Findings (Continued)</b>
<b>2021-002</b>	<b>Segregation of Duties</b>
<b>Criteria:</b>	The accounting functions should be properly segregated to ensure proper internal controls over financial reporting.
<b>Condition:</b>	Due to the limited number of employees in the accounting department, many critical duties are combined and given to the available employees within the cash receipts and cash disbursements functions.
<b>Cause:</b>	The current size of the accounting department creates difficulties in properly segregating certain accounting functions.
<b>Effect:</b>	The School is exposed to loss due to potential fraud.
<b>Recommendation:</b>	We recommend that the School establish procedures so that record keeping, authorization, and reconciliation functions are segregated.
<b>Views of Responsible Officials and Planned Corrective Actions:</b>	Management acknowledges the seriousness of this finding. Steps have already been taken to remedy this situation, and the School is hiring new staff to strengthen internal controls.

**Broome Street Academy Charter High School**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2021**

<b>Reference Number</b>	<b>Summary of Findings</b>	<b>Status</b>
<b>2020-001</b>	<b>Financial Records and Year-End Accounting Procedures</b>  The initial trial balance provided had not reflected several closing adjustments. The trial balance required significant revisions to ensure account balances were reconciled to supporting schedules.	Unresolved – See Finding 2021-001