

Broome Street Academy Charter High School

Independent Auditor's Reports and Financial Statements

June 30, 2022 and 2021

Broome Street Academy Charter High School

June 30, 2022 and 2021

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Broome Street Academy Charter High School, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information within the statements 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 accompanying supplementary 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 November 14, 2022, 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.

FORVIS,LLP

New York, New York
November 14, 2022

Broome Street Academy Charter High School
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 158,762	\$ 1,133,718
Investments	1,641,845	1,638,697
Grants, contracts, and other receivables	468,733	161,331
Due from affiliate (The Door)	1,788,902	654,418
Prepaid expenses and other assets	71,896	62,593
Total current assets	4,130,138	3,650,757
Restricted cash	75,504	75,492
Property and equipment, net	202,048	73,843
Total assets	\$ 4,407,690	\$ 3,800,092
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 774,134	\$ 839,129
Refundable advances	88,186	201,351
Other liabilities	74,082	63,385
Total liabilities	936,402	1,103,865
Net Assets		
Without donor restrictions		
Undesignated for general use	2,344,236	2,546,892
Reserve - contingency	75,504	75,492
Net investment in property and equipment	202,048	73,843
Total net assets without donor restrictions	2,621,788	2,696,227
With donor restrictions	849,500	-
Total net assets	3,471,288	2,696,227
Total liabilities and net assets	\$ 4,407,690	\$ 3,800,092

Broome Street Academy Charter High School
Statements of Activities
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue						
State and local per pupil operating revenue						
Resident student enrollment	\$ 5,036,777	\$ -	\$ 5,036,777	\$ 5,066,764	\$ -	\$ 5,066,764
Students with disabilities	724,144	-	724,144	832,374	-	832,374
Other	-	-	-	62,540	-	62,540
New York Department of Education rental assistance	514,960	-	514,960	395,057	-	395,057
Government grants and contracts	777,810	-	777,810	79,684	-	79,684
Contributed legal services	-	-	-	64,092	-	64,092
Total operating revenue	<u>7,053,691</u>	<u>-</u>	<u>7,053,691</u>	<u>6,500,511</u>	<u>-</u>	<u>6,500,511</u>
Operating Expenses						
Program services						
Regular education	4,671,525	-	4,671,525	3,923,027	-	3,923,027
Special education	1,431,601	-	1,431,601	1,263,929	-	1,263,929
Total program services	<u>6,103,126</u>	<u>-</u>	<u>6,103,126</u>	<u>5,186,956</u>	<u>-</u>	<u>5,186,956</u>
Supporting services						
Management and general	1,193,530	-	1,193,530	1,455,737	-	1,455,737
Total operating expenses	<u>7,296,656</u>	<u>-</u>	<u>7,296,656</u>	<u>6,642,693</u>	<u>-</u>	<u>6,642,693</u>
Net deficit from school operations	<u>(242,965)</u>	<u>-</u>	<u>(242,965)</u>	<u>(142,182)</u>	<u>-</u>	<u>(142,182)</u>
Public Support and Other Revenues (Expenses)						
Contributions	151,021	-	151,021	127,923	-	127,923
Foundation and corporate support	7,531	849,500	857,031	469,063	-	469,063
Special events, net of expenses of \$5,140 in 2022 and \$24,932 in 2021	279,710	-	279,710	325,000	-	325,000
Total public support	<u>438,262</u>	<u>849,500</u>	<u>1,287,762</u>	<u>921,986</u>	<u>-</u>	<u>921,986</u>
Other revenues (expenses)						
Return on investments	(20,445)	-	(20,445)	1,035	-	1,035
Miscellaneous	33,718	-	33,718	-	-	-
Fundraising expenses	(283,009)	-	(283,009)	(230,795)	-	(230,795)
Total public support and other revenues (expenses)	<u>168,526</u>	<u>849,500</u>	<u>1,018,026</u>	<u>692,226</u>	<u>-</u>	<u>692,226</u>
Change in Net Assets	<u>(74,439)</u>	<u>849,500</u>	<u>775,061</u>	<u>550,044</u>	<u>-</u>	<u>550,044</u>
Net Assets, Beginning of Year	<u>2,696,227</u>	<u>-</u>	<u>2,696,227</u>	<u>2,146,183</u>	<u>-</u>	<u>2,146,183</u>
Net Assets, End of Year	<u>\$ 2,621,788</u>	<u>\$ 849,500</u>	<u>\$ 3,471,288</u>	<u>\$ 2,696,227</u>	<u>\$ -</u>	<u>\$ 2,696,227</u>

Broome Street Academy Charter High School
Statements of Functional Expenses
Years Ended June 30, 2022 and 2021

	* No. of Positions	2022							
		Program Services			Supporting Services				
		Regular Education	Special Education	Total	Management and General	Fundraising Expenses	Special Events	Total	Total
Administrative staff	14	\$ 554,483	\$ 326,246	\$ 880,729	\$ 418,288	\$ 61,126	\$ -	\$ 479,414	\$ 1,360,143
Instructional personnel	32	1,703,696	433,340	2,137,036	-	704	-	704	2,137,740
Non-instructional personnel	11	529,181	110,833	640,014	52,212	-	-	52,212	692,226
Total salaries	57	2,787,360	870,419	3,657,779	470,500	61,830	-	532,330	4,190,109
Employee benefits and payroll taxes		595,623	185,965	781,588	113,291	13,185	-	126,476	908,064
Professional and administration fees		250,054	71,652	321,706	394,636	187,195	-	581,831	903,537
Occupancy costs		532,701	159,343	692,044	122,335	4,999	-	127,334	819,378
Equipment and software maintenance		97,316	27,886	125,202	16,824	885	-	17,709	142,911
Office supplies and material		54,058	16,095	70,153	22,267	153	-	22,420	92,573
Advertising and recruitment		89,299	25,588	114,887	274	15	-	289	115,176
Youth events		46,038	11,856	57,894	7,110	-	-	7,110	65,004
Telephone		37,131	10,640	47,771	6,419	338	-	6,757	54,528
Student meals		40,894	11,718	52,612	528	27	-	555	53,167
Insurance expense		32,613	9,345	41,958	5,638	297	-	5,935	47,893
Staff development and meetings		11,624	3,331	14,955	2,010	105	-	2,115	17,070
Membership dues		20,758	5,948	26,706	3,589	189	-	3,778	30,484
Miscellaneous expenses		6,179	1,771	7,950	14,982	13,151	5,140	33,273	41,223
Postage and printing		1,447	433	1,880	1,309	20	-	1,329	3,209
Travel		215	64	279	25	-	-	25	304
Depreciation and amortization		68,215	19,547	87,762	11,793	620	-	12,413	100,175
Total expenses		\$ 4,671,525	\$ 1,431,601	\$ 6,103,126	\$ 1,193,530	\$ 283,009	\$ 5,140	\$ 1,481,679	\$ 7,584,805

* Supplementary information

Broome Street Academy Charter High School
Statements of Functional Expenses
Years Ended June 30, 2022 and 2021 (Continued)

	* No. of Positions	2021							Total	Total
		Program Services			Supporting Services					
		Regular Education	Special Education	Total	Management and General	Fundraising Expenses	Special Events	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	561,417	149,238	710,655	83,505	-	-	83,505	794,160	
Total salaries	62	2,703,102	850,135	3,553,237	442,401	41,131	-	483,532	4,036,769	
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	
Total expenses		\$ 3,923,027	\$ 1,263,929	\$ 5,186,956	\$ 1,455,737	\$ 230,795	\$ 24,932	\$ 1,711,464	\$ 6,898,420	

* Supplementary information

Broome Street Academy Charter High School

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ 775,061	\$ 550,044
Items not requiring (providing) operating cash flows		
Depreciation and amortization	100,175	39,452
Donated stock	25,285	(16,664)
Realized (gains) losses on investments	23,911	(693)
Bad debt expense	-	18,885
Changes in		
Grants, contracts, and other receivables	(307,402)	33,603
Due from affiliate (The Door)	(734,484)	(545,645)
Prepaid expenses and other assets	(9,303)	(17,578)
Accounts payable and accrued expenses	(64,995)	66,583
Refundable advances	(113,165)	201,351
Other liabilities	10,697	8,224
	(294,220)	337,562
Net cash provided by (used in) operating activities		
Investing Activities		
Purchase of property and equipment	(228,380)	(43,067)
Loan to affiliate	(400,000)	-
Sales of investments	500,000	17,357
Purchases of investments	(552,344)	-
	(680,724)	(25,710)
Net cash used in investing activities		
Net Change in Cash, Cash Equivalents, and Restricted Cash	(974,944)	311,852
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	1,209,210	897,358
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 234,266	\$ 1,209,210
Cash, Cash Equivalents, and Restricted Cash Consist of:		
Cash and cash equivalents	\$ 158,762	\$ 1,133,718
Restricted cash	75,504	75,492
	\$ 234,266	\$ 1,209,210

Broome Street Academy Charter High School

Notes to Financial Statements

June 30, 2022 and 2021

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 August 2021, the School's charter was renewed for five additional years expiring July 31, 2026. The School's charter states that it will provide instruction to students in the ninth through twelfth grades for a period of five years.

The 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 and returned on site during the year ended June 30, 2022.

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, 2022 and 2021, cash equivalents consisted primarily of money market accounts.

Broome Street Academy Charter High School

Notes to Financial Statements

June 30, 2022 and 2021

At June 30, 2022, the School had no cash accounts that exceeded federally insured limits.

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.

The 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, 2022 and 2021.

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, 2022 and 2021

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, 2022 and 2021.

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:

Nature of the Gift	Value Recognized
<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, 2022 and 2021

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.

Changes in Accounting Principle

In 2022, the School adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* on a retrospective basis. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash or other financial assets in the statements of activities and disclosures within the notes to the financial statements about the valuation method for, use of, and donor-imposed restrictions associated with contributed nonfinancial assets (see *Note 8*). Adoption of ASU 2020-07 had no impact on previously reported total change in net assets.

Broome Street Academy Charter High School

Notes to Financial Statements

June 30, 2022 and 2021

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.

Reclassification

Certain reclassifications were made to the 2021 financial statements to conform to the 2022 financial statement presentation. The reclassification had no effect on the statement of financial position or change in net assets.

Note 2: Property and Equipment

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 950,322	\$ 950,322
Computer equipment and software	875,336	731,657
Furniture and equipment	<u>338,002</u>	<u>253,301</u>
	2,163,660	1,935,280
Accumulated depreciation and amortization	<u>(1,961,612)</u>	<u>(1,861,437)</u>
	<u>\$ 202,048</u>	<u>\$ 73,843</u>

Broome Street Academy Charter High School

Notes to Financial Statements

June 30, 2022 and 2021

Note 3: Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u>2022</u>
Subject to expenditure for specific purpose	
Epic Theatre Ensemble Program	\$ 57,000
Braided Pathways Community of Practice Program	42,500
Low-Income Youth Mental Health Continuum	<u>30,000</u>
	129,500
Subject to the passage of time	<u>720,000</u>
Total net assets with donor restrictions	<u>\$ 849,500</u>

There were no net assets with donor restrictions as of June 30, 2021.

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, 2022 and 2021

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, 2022 and 2021:

	2022			
	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)
Mutual funds -				
Fixed income - U.S. obligations	\$ 1,182,859	\$ 1,182,859	\$ -	\$ -
Fixed income - corporate obligations	176,946	176,946	-	-
Equities - domestic	282,040	282,040	-	-
	<u>\$ 1,641,845</u>	<u>\$ 1,641,845</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 1,641,845</u>	<u>\$ 1,641,845</u>	<u>\$ -</u>	<u>\$ -</u>
	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)
Money market mutual funds -				
fixed income	\$ 1,638,697	\$ 1,638,697	\$ -	\$ -
	<u>\$ 1,638,697</u>	<u>\$ 1,638,697</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 1,638,697</u>	<u>\$ 1,638,697</u>	<u>\$ -</u>	<u>\$ -</u>

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 statements 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, 2022 and 2021.

Broome Street Academy Charter High School

Notes to Financial Statements

June 30, 2022 and 2021

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% 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

85% and 54% of the School's accounts receivable are due from New York State as of June 30, 2022 and 2021, respectively. 99% of the School's operating revenues were from New York State for the years ended June 30, 2022 and 2021.

Broome Street Academy Charter High School

Notes to Financial Statements

June 30, 2022 and 2021

Note 6: Liquidity and Availability

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

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash	\$ 158,762	\$ 1,133,718
Investments	1,641,845	1,638,697
Grants, contracts, and other receivables	<u>468,733</u>	<u>161,331</u>
Total financial assets	2,269,340	2,933,746
Restricted funds	<u>(849,500)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,419,840</u>	<u>\$ 2,933,746</u>

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% 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% 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% into the 403(b), the School will begin to put in an employer matching contribution equivalent to 3%. With employer match, the vesting is also 100% immediately.

Total expense for the years ended June 30, 2022 and 2021 was \$130,050 and \$88,698, respectively.

Broome Street Academy Charter High School

Notes to Financial Statements

June 30, 2022 and 2021

Note 8: Contributed Nonfinancial Assets

For the year ended June 30, 2022, there were no contributed nonfinancial assets recognized within the financial statements. For the year ended June 30, 2021, contributed nonfinancial assets and services recognized within the statements of activities included legal services of \$64,092. The nonfinancial assets were recognized within revenue. Contributed nonfinancial assets did not have donor-imposed restrictions.

Legal Services

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.

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.

Note 9: 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 \$498,521 and \$662,547 during the years ended June 30, 2022 and 2021, respectively, for administrative support and fundraising services, human resources services, fiscal management, and information technology. There was also \$93,643 and \$244,566 paid to The Door for shared services in 2022 and 2021, respectively. Such amounts are included as professional and administrative fees in the statements of functional expenses. As of June 30, 2022 and 2021, the School has a receivable from The Door of \$1,788,902 and \$654,418, respectively.

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 \$800,748 and \$520,512 for the years ended June 30, 2022 and 2021, respectively. Such amounts are included as occupancy cost in the statements of functional expenses.

As part of the lease amendment entered into in June 2022, the School extended the lease agreement with The Door for a one-year term, which is set to expire on June 30, 2023.

Broome Street Academy Charter High School
Notes to Financial Statements
June 30, 2022 and 2021

The future minimum lease payment as of June 30, 2022 is:

2023	<u>\$ 824,769</u>
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Special Event

During the year ended June 30, 2022, the School, together with The Door, held a joint special fundraising event from which the School's gross share of revenue amounted to \$253,000, and its net proceeds (after expenses of \$5,410) were \$247,860. 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 \$349,932 and its net proceeds (after expenses of \$24,932) was \$325,000.

Contributed Services

As mentioned in *Note 8*, in addition to receiving cash contributions, during fiscal 2021, the School receives in-kind contributions of legal services from a member of the Board.

Operating Loan

The School provided an operating loan to the Door of \$400,000 in fiscal 2022. The loan does not bear interest and is due on demand. The loan was outstanding as of June 30, 2022 and included in the due from affiliates on the statement of financial position.

Note 10: Subsequent Events

Subsequent events have been evaluated through November 14, 2022, which is the date the financial statements were available to be issued.

Broome Street Academy Charter High School

Notes to Financial Statements

June 30, 2022 and 2021

Note 11: Future Accounting Changes

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2022.

Report on 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 were not 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 2022-001 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 2022-002 to be a significant deficiency.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the Broome Street Academy Charter High School's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Broome Street Academy Charter High School's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

FORVIS, LLP

New York, New York
November 14, 2022

Broome Street Academy Charter High School
Schedule of Findings and Responses
Year Ended June 30, 2022

Reference Number	Summary of Findings
2022-001	Financial Records and Year-End Accounting Procedures
Criteria:	Broome Street Academy Charter 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 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.
Condition:	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.
Cause:	Closing procedures, specifically the monitoring and review of financial information by management, is not being performed effectively or timely.
Effect:	During the audit, we noted a number of instances of incorrect analyses and inadequate review of work performed by others.
Recommendation:	A closing process should be implemented that require all of the statement of financial position accounts to be reconciled to supporting statements and subsidiary ledgers with the reconciliations reviewed timely. In addition, we strongly recommend that the Chief Financial Officer perform a thorough and detailed review of the financial statements as part of the close.
Views of Responsible Officials and Planned Corrective Actions:	In part to resolve this ongoing issue, the School, through its affiliate The Door, plans to engage with outside consultants to fully outsource its accounting and financial management operations, effective December 2022 – a process beginning at year-end FY21-22 and for which implementation is ongoing. Contributing to this in FY21-22, there were unforeseen turnover and staff vacancies/shortages in several positions in the Finance department as well as the outsourced consulting firm providing interim financial services during the year and amidst year-end procedures. During FY22-23, procedures will be implemented to ensure a timely monthly close process in which all general ledger account balances are reconciled, schedules/supporting documents are maintained for all assets and liability accounts, the financial statements are reviewed regularly by a senior accounting professional, and key-person dependencies are mitigated.

Broome Street Academy Charter High School
Schedule of Findings and Responses (Continued)
Year Ended June 30, 2022

Reference Number	Summary of Findings
2022-002	Segregation of Duties
Criteria:	The accounting functions should be properly segregated to ensure proper internal controls over financial reporting.
Condition:	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.
Cause:	The current size of the accounting department creates difficulties in properly segregating certain accounting functions.
Effect:	The School is exposed to loss due to potential fraud.
Recommendation:	We recommend that the School establish procedures so that recordkeeping, authorization, and reconciliation function are segregated.
Views of Responsible Officials and Planned Corrective Actions:	In part to resolve this ongoing issue, the School, through its affiliate The Door, plans to engage with outside consultants to fully outsource its accounting and financial management operations, effective December 2022 – a process beginning at year-end FY21-22 and for which implementation is ongoing. During FY22-23, procedures will be implemented to strengthen the segregation of duties. Management is reviewing the accounting policies and procedures in order to strengthen internal controls and to improve financial reporting processes. Specifically, instances where any individual can post journal entries without secondary approval or where any individual resides at multiple steps in the same process flow will be eliminated or reduced.

Broome Street Academy Charter High School
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

Reference Number	Summary of Findings	Status
2021-001	<p>Financial Records and Year-End Accounting Procedures</p> <p>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.</p>	Unresolved (2022-001)
2021-002	<p>Segregation of Duties</p> <p>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. The current size of the accounting department creates difficulties in properly segregating certain accounting functions.</p>	Unresolved (2022-002)