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# **Broome Street Academy Charter High School**

## **Independent Auditor's Reports and Financial Statements**

June 30, 2023 and 2022

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# Broome Street Academy Charter High School

June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 (*Government Auditing Standards*). 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 GAAS. 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 1, 2023, 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 1, 2023

**Broome Street Academy Charter High School**  
**Statements of Financial Position**  
**June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 522,138	\$ 158,762
Investments	1,752,396	1,641,845
Grants, contracts, and other receivables	1,158,229	468,733
Due from affiliate (The Door)	184,388	1,788,902
Prepaid expenses and other assets	25,668	71,896
Total current assets	3,642,819	4,130,138
Restricted cash	75,507	75,504
Property and equipment, net	146,481	202,048
Total assets	\$ 3,864,807	\$ 4,407,690
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 691,909	\$ 774,134
Refundable advances	-	88,186
Other liabilities	110,053	74,082
Total liabilities	801,962	936,402
<b>Net Assets</b>		
Without donor restrictions		
Undesignated for general use	2,460,857	2,344,236
Reserve - contingency	75,507	75,504
Net investment in property and equipment	146,481	202,048
Total net assets without donor restrictions	2,682,845	2,621,788
With donor restrictions	380,000	849,500
Total net assets	3,062,845	3,471,288
Total liabilities and net assets	\$ 3,864,807	\$ 4,407,690

**Broome Street Academy Charter High School**  
**Statements of Activities**  
**Years Ended June 30, 2023 and 2022**

	2023			2022		
	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	\$ 4,580,314	\$ -	\$ 4,580,314	\$ 5,036,777	\$ -	\$ 5,036,777
Students with disabilities	979,107	-	979,107	724,144	-	724,144
New York Department of Education rental assistance	367,668	-	367,668	514,960	-	514,960
Government grants and contracts	1,276,050	-	1,276,050	777,810	-	777,810
Total operating revenue	<u>7,203,139</u>	<u>-</u>	<u>7,203,139</u>	<u>7,053,691</u>	<u>-</u>	<u>7,053,691</u>
<b>Operating Expenses</b>						
Program services						
Regular education	5,171,542	-	5,171,542	4,671,525	-	4,671,525
Special education	1,479,850	-	1,479,850	1,431,601	-	1,431,601
Total program services	<u>6,651,392</u>	<u>-</u>	<u>6,651,392</u>	<u>6,103,126</u>	<u>-</u>	<u>6,103,126</u>
Supporting services						
Management and general	1,226,083	-	1,226,083	1,193,530	-	1,193,530
Total operating expenses	<u>7,877,475</u>	<u>-</u>	<u>7,877,475</u>	<u>7,296,656</u>	<u>-</u>	<u>7,296,656</u>
Net deficit from school operations	<u>(674,336)</u>	<u>-</u>	<u>(674,336)</u>	<u>(242,965)</u>	<u>-</u>	<u>(242,965)</u>
<b>Public Support and Other Revenues (Expenses)</b>						
Contributions	114,047	-	114,047	151,021	-	151,021
Foundation and corporate support	2,658	20,000	22,658	7,531	849,500	857,031
Special events, net of expenses of \$3,193 in 2023 and \$5,140 in 2022	243,361	-	243,361	279,710	-	279,710
Release from restrictions	489,500	(489,500)	-	-	-	-
Total public support	<u>849,566</u>	<u>(469,500)</u>	<u>380,066</u>	<u>438,262</u>	<u>849,500</u>	<u>1,287,762</u>
Other revenues (expenses)						
Return on investments	131,515	-	131,515	(20,445)	-	(20,445)
Miscellaneous	10,227	-	10,227	33,718	-	33,718
Fundraising expenses	(255,915)	-	(255,915)	(283,009)	-	(283,009)
Total public support and other revenues (expenses)	<u>735,393</u>	<u>(469,500)</u>	<u>265,893</u>	<u>168,526</u>	<u>849,500</u>	<u>1,018,026</u>
<b>Change in Net Assets</b>	<u>61,057</u>	<u>(469,500)</u>	<u>(408,443)</u>	<u>(74,439)</u>	<u>849,500</u>	<u>775,061</u>
<b>Net Assets, Beginning of Year</b>	<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>
<b>Net Assets, End of Year</b>	<u>\$ 2,682,845</u>	<u>\$ 380,000</u>	<u>\$ 3,062,845</u>	<u>\$ 2,621,788</u>	<u>\$ 849,500</u>	<u>\$ 3,471,288</u>

**Broome Street Academy Charter High School**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2023 and 2022**

	* No. of Positions	2023							Total	Total
		Program Services			Supporting Services					
		Regular Education	Special Education	Total	Management and General	Fundraising Expenses	Special Events	Total		
Administrative staff	21	\$ 886,313	\$ 258,405	\$ 1,144,718	\$ 467,514	\$ 42,813	\$ -	\$ 510,327	\$ 1,655,045	
Instructional personnel	31	1,827,228	532,730	2,359,958	-	-	-	-	2,359,958	
Non-instructional personnel	6	292,169	85,182	377,351	67,380	-	-	67,380	444,731	
<b>Total salaries</b>	<b>58</b>	<b>3,005,710</b>	<b>876,317</b>	<b>3,882,027</b>	<b>534,894</b>	<b>42,813</b>	<b>-</b>	<b>577,707</b>	<b>4,459,734</b>	
Employee benefits and payroll taxes		663,040	193,359	856,399	101,396	9,285	-	110,681	967,080	
Professional and administration fees		287,829	50,603	338,432	419,323	197,432	-	616,755	955,187	
Occupancy costs		587,851	173,976	761,827	62,759	3,253	-	66,012	827,839	
Equipment and software maintenance		78,155	23,130	101,285	8,344	432	-	8,776	110,061	
Office supplies and material		65,652	19,430	85,082	2,897	159	163	3,219	88,301	
Advertising and recruitment		136,786	40,482	177,268	2,381	123	-	2,504	179,772	
Youth events		60,351	17,861	78,212	-	-	-	-	78,212	
Telephone		37,806	11,189	48,995	4,037	209	-	4,246	53,241	
Student meals		55,971	16,565	72,536	680	35	-	715	73,251	
Insurance expense		45,655	13,512	59,167	4,874	253	-	5,127	64,294	
Staff development and meetings		15,943	4,718	20,661	1,696	88	-	1,784	22,445	
Membership dues		27,505	8,140	35,645	2,936	152	-	3,088	38,733	
Miscellaneous expenses		4,594	1,360	5,954	69,780	1,136	2,604	73,520	79,474	
Postage and printing		12,331	3,649	15,980	890	68	426	1,384	17,364	
Travel		4,161	1,231	5,392	420	22	-	442	5,834	
Depreciation and amortization		82,202	24,328	106,530	8,776	455	-	9,231	115,761	
<b>Total expenses</b>		<b>\$ 5,171,542</b>	<b>\$ 1,479,850</b>	<b>\$ 6,651,392</b>	<b>\$ 1,226,083</b>	<b>\$ 255,915</b>	<b>\$ 3,193</b>	<b>\$ 1,485,191</b>	<b>\$ 8,136,583</b>	

\* Supplementary information



**Broome Street Academy Charter High School**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2023 and 2022 (Continued)**

	* 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
<b>Total salaries</b>	<b>57</b>	<b>2,787,360</b>	<b>870,419</b>	<b>3,657,779</b>	<b>470,500</b>	<b>61,830</b>	<b>-</b>	<b>532,330</b>	<b>4,190,109</b>
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
<b>Total expenses</b>		<b>\$ 4,671,525</b>	<b>\$ 1,431,601</b>	<b>\$ 6,103,126</b>	<b>\$ 1,193,530</b>	<b>\$ 283,009</b>	<b>\$ 5,140</b>	<b>\$ 1,481,679</b>	<b>\$ 7,584,805</b>

\* Supplementary information

# Broome Street Academy Charter High School

## Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
<b>Operating Activities</b>		
Change in net assets	\$ (408,443)	\$ 775,061
Items not requiring (providing) operating cash flows		
Depreciation and amortization	115,760	100,175
Contributions received for capital purposes	(20,000)	
Donated stock	-	25,285
Realized (gains) losses on investments	(69,179)	23,911
Changes in		
Grants, contracts, and other receivables	(689,496)	(307,402)
Due from affiliate (The Door)	1,204,514	(734,484)
Prepaid expenses and other assets	46,228	(9,303)
Accounts payable and accrued expenses	(82,225)	(64,995)
Refundable advances	(88,186)	(113,165)
Other liabilities	35,971	10,697
Net cash provided by (used in) operating activities	44,944	(294,220)
<b>Investing Activities</b>		
Purchase of property and equipment	(60,193)	(228,380)
Loan to affiliate	-	(400,000)
Proceeds from repayment of loan	400,000	-
Sales of investments	458,628	500,000
Purchases of investments	(500,000)	(552,344)
Net cash provided by (used in) investing activities	298,435	(680,724)
<b>Financing Activities</b>		
Proceeds from contributions received for capital purposes	20,000	-
Net cash provided by financing activities	20,000	-
<b>Net Change in Cash, Cash Equivalents, and Restricted Cash</b>	363,379	(974,944)
<b>Cash, Cash Equivalents, and Restricted Cash, Beginning of Year</b>	234,266	1,209,210
<b>Cash, Cash Equivalents, and Restricted Cash, End of Year</b>	\$ 597,645	\$ 234,266
<b>Cash, Cash Equivalents, and Restricted Cash Consist of:</b>		
Cash and cash equivalents	\$ 522,138	\$ 158,762
Restricted cash	75,507	75,504
	\$ 597,645	\$ 234,266

# Broome Street Academy Charter High School

## Notes to Financial Statements

June 30, 2023 and 2022

### 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.

#### *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, 2023 and 2022, cash equivalents consisted primarily of money market accounts.

At June 30, 2023, the School had a balance of approximately \$332,000 in cash accounts that exceeded federally insured limits.

**Broome Street Academy Charter High School**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

***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, 2023 and 2022.

***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, 2023 and 2022

### ***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, 2023 and 2022.

### ***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, 2023 and 2022

<b>Nature of the Gift</b>	<b>Value Recognized</b>
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, 2023 and 2022

### Note 2: Property and Equipment

	2023	2022
Leasehold improvements	\$ 950,322	\$ 950,322
Computer equipment and software	918,050	875,336
Furniture and equipment	355,481	338,002
	2,223,853	2,163,660
Accumulated depreciation and amortization	(2,077,372)	(1,961,612)
	\$ 146,481	\$ 202,048

### Note 3: Net Assets With Donor Restrictions

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

	2023	2022
Subject to expenditure for specific purpose		
Facility renovations and improvements	\$ 20,000	\$ -
Epic Theatre Ensemble Program	-	57,000
Braided Pathways Community of Practice Program	-	42,500
Low-Income Youth Mental Health Continuum	-	30,000
	20,000	129,500
Subject to the passage of time	360,000	720,000
Total net assets with donor restrictions	\$ 380,000	\$ 849,500

Net assets with donor restriction were released for the following purposes or periods during the year ended June 30, 2023:

Satisfaction of purpose restrictions	
Epic Theatre Ensemble Program	\$ 57,000
Braided Pathways Community of Practice Program	42,500
Low-Income Youth Mental Health Continuum	30,000
	129,500
Satisfaction of time restrictions	360,000
Total net assets released from restrictions	\$ 489,500

# Broome Street Academy Charter High School

## Notes to Financial Statements

June 30, 2023 and 2022

### 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

#### ***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, 2023 and 2022:

	2023			
	Total	Fair Value Measurements Using		
		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	\$ 706,092	\$ 706,092	\$ -	\$ -
Fixed income - corporate obligations	420,531	420,531	-	-
Equities - domestic	625,773	625,773	-	-
Total	\$ 1,752,396	\$ 1,752,396	\$ -	\$ -



# Broome Street Academy Charter High School

## Notes to Financial Statements

June 30, 2023 and 2022

	2022			
	Total	Fair Value Measurements Using		
		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	\$ 1,182,859	\$ 1,182,859	\$ -	\$ -
Fixed income - corporate obligations	176,946	176,946	-	-
Equities - domestic	282,040	282,040	-	-
Total	\$ 1,641,845	\$ 1,641,845	\$ -	\$ -

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, 2023 and 2022.

### **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.

# Broome Street Academy Charter High School

## Notes to Financial Statements

June 30, 2023 and 2022

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

96% and 85% of the School's accounts receivable are due from New York State as of June 30, 2023 and 2022, respectively. 98% and 99% of the School's operating revenues were from New York State for the years ended June 30, 2023 and 2022.

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

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

	<u>2023</u>	<u>2022</u>
Financial assets at year-end		
Cash	\$ 522,138	\$ 158,762
Investments	1,752,396	1,641,845
Grants, contracts, and other receivables	<u>1,158,229</u>	<u>468,733</u>
Total financial assets	3,432,763	2,269,340
Restricted funds	<u>(380,000)</u>	<u>(849,500)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,052,763</u>	<u>\$ 1,419,840</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 \$2,000,000. 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.

# Broome Street Academy Charter High School

## Notes to Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022 was \$97,458 and \$130,050, 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 \$531,177 and \$498,521 during the years ended June 30, 2023 and 2022, respectively, for administrative support and fundraising services, human resources services, fiscal management, information technology, and food services. There was also \$137,941 and \$93,643 paid to The Door for shared services in 2023 and 2022, respectively. Such amounts are included as professional and administrative fees in the statements of functional expenses. As of June 30, 2023 and 2022, the School has a receivable from The Door of \$184,388 and \$1,788,902, respectively.

The School has an investment account of approximately \$1,800,000 with JPMorgan Chase. The School also paid \$3,591 to JPMorgan Chase in service fees in 2023. No fees were paid in 2022. One of the board members is the Vice President of Corporate Social Responsibility of this organization. This board member is not involved in the investment committee and the School did not make payments to this individual.

During the year ended June 30, 2022, a \$400,000 transfer was made to the Door which was classified as an operating loan and did not bear interest and was repaid during the year ended June 30, 2023.

#### ***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 \$824,769 and \$800,748 for the years ended June 30, 2023 and 2022, 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. The School extended the lease agreement with The Door for another one-year term, which is set to expire on June 30, 2024.

**Broome Street Academy Charter High School**  
**Notes to Financial Statements**  
**June 30, 2023 and 2022**

The future minimum lease payment as of June 30, 2023 is:

2024	<u>\$ 849,512</u>
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***Special Event***

During the year ended June 30, 2023, the School, together with The Door, held a joint special fundraising event from which the School's gross share of revenue amounted to \$246,554 and its net proceeds (after expenses of \$3,193) were \$243,361. 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 \$284,850 and its net proceeds (after expenses of \$5,140) was \$279,710.

**Note 9: Subsequent Events**

Subsequent events have been evaluated through November 1, 2023, which is the date the financial statements were available to be issued.

## **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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Broome Street Academy Charter High School, which comprise the statement of financial position as of June 30, 2023, 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, 2023.

#### ***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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002, that we consider to be significant deficiencies.

## ***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 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 1, 2023

**Broome Street Academy Charter High School**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2023**

Reference Number	Finding
<b>2023-001</b>	<b>Financial Records and Year-End Accounting Procedures</b>
<b>Criteria:</b>	The 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, the 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.
<b>Condition:</b>	During our audit, we noted that detailed schedules supporting general ledger accounts did not always agree with the general ledger balances. As a result two journal entries were required to correct variances.
<b>Cause:</b>	Closing procedures, specifically the monitoring and review of financial information by management, should be reviewed prior to closing.
<b>Effect:</b>	Net assets and contributions were not stated correctly on the trial balance.
<b>Recommendation:</b>	The closing workpapers should be reviewed by management prior to the audit.
<b>Views of Responsible Officials and Planned Corrective Actions:</b>	The Chief Financial Officer will document review of the monthly financial statements. The final sign off and approval of the year-end trial balance will be documented to ensure the most current available information is incorporated, estimates are reasonable, and all balances are supported. Following completion of the annual audit, the Controller will ensure the trial balance ties to the audit report and rolls forward properly to the new year.

**Broome Street Academy Charter High School**  
**Schedule of Findings and Responses (Continued)**  
**Year Ended June 30, 2023**

Reference Number	Finding
<b>2023-002</b>	<b>Per-Pupil Revenue – Lack of Documentation for Proof of Residence</b>
<b>Criteria:</b>	Under the New York State Charter School Audit Guidelines, the School must obtain valid proof of residency for students and ensure that the proper district is being billed for services.
<b>Condition:</b>	During our per-pupil testing, we noted that the School did not have proper support to prove students’ residences for four out of 40 students sampled.
<b>Cause:</b>	The School believes that these students were homeless and did not have the required proof of residence.
<b>Effect:</b>	Lack of documentation for student residencies could lead to improper billing of per-pupil revenue.
<b>Recommendation:</b>	Internal controls should be put in place to ensure that the School is maintaining proper documentation in compliance with Charter School guidelines.
<b>Views of Responsible Officials and Planned Corrective Actions:</b>	The School will document when proof of residency is unavailable and note the cause for the lack of available documentation. Management will additionally review with the Department of Education on the most appropriate support to maintain on file in support of student eligibility when proof of residency is unavailable.



**Broome Street Academy Charter High School**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2023**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
<b>2022-001</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.	Partially resolved (2023-001)
<b>2022-002</b>	<b>Segregation of Duties</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. The current size of the accounting department creates difficulties in properly segregating certain accounting functions.	Resolved