
**SOUTH BRONX CHARTER SCHOOL
FOR INTERNATIONAL CULTURES & THE ARTS**

Financial Statements with Supplementary Information

For the years ended June 30, 2022 and 2021

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**
Financial Statements
June 30, 2022 and 2021

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Independent Auditor's Report

To the Board of Trustees of
South Bronx Charter School for International Culture & the Arts

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of South Bronx Charter School for International Cultures & The Arts (a nonprofit organization), 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 financial statements present fairly, in all material respects, the financial position of South Bronx Charter School for International Cultures & The Arts 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 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 South Bronx Charter School for International Cultures & The Arts 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 opinions.

Responsibility 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 South Bronx Charter School for International Cultures & The Arts' 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 generally accepted auditing standards 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 generally accepted auditing standards 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 South Bronx Charter School for International Cultures & The Arts' 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 South Bronx Charter School for International Cultures & The Arts' 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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of debt covenants for the year ended June 30, 2022 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, on our consideration of South Bronx Charter School for International Cultures & The Arts' 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 South Bronx Charter School for International Cultures & The Arts' 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 South Bronx Charter School for International Cultures & The Arts' internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "NChing LLP". The signature is written in a cursive, slightly slanted style. The letters "N" and "C" are capitalized and prominent. The "ing" is written in a fluid, connected manner. "LLP" is written in all caps at the end.

New York, New York
October 31, 2022

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**
Statements of Financial Position
As of June 30,

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 4,262,564	\$ 7,617,709
Grants and other receivables	735,282	508,969
Prepaid expenses	44,873	39,415
Total current assets	5,042,719	8,166,093
Property and equipment, net - Note 5	21,290,606	18,601,328
Other assets		
Reserves - Note 4	2,045,123	2,043,061
Total assets	<u>\$ 28,378,448</u>	<u>\$ 28,810,482</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 305,420	\$ 284,741
Accrued payroll and benefits - Note 7	429,382	547,882
Bonds payable - current portion - Note 8	540,000	520,000
Accrued interest payable	196,859	201,058
Refundable advances	156,377	18,262
Total current liabilities	1,628,038	1,571,943
Bonds payable (less current portion; net of unamortized deferred financing costs of \$485,096 in 2022 and \$508,288 in 2021) - Note 8	17,994,904	18,511,712
Total liabilities	19,622,942	20,083,655
Net assets without donor restrictions		
Undesignated	8,677,857	8,649,367
Reserve - contingency	77,649	77,460
Total net assets without donor restrictions	8,755,506	8,726,827
Total liabilities and net assets without restrictions	<u>\$ 28,378,448</u>	<u>\$ 28,810,482</u>

The accompanying notes are an integral part of these financial statements.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**
Statements of Activities
For the years ended June 30,

	<u>2022</u>	<u>2021</u>
<u>Operating revenue and other support</u>		
State and local per pupil operating revenue		
General education	\$ 6,694,888	\$ 7,393,395
Special education	140,005	-
Grants, contracts and other income		
State and local grants	35,845	30,544
Federal grants	985,198	609,308
Food service	520,383	196,909
Cancellation of debt	-	697,569
Interest income	15,006	29,245
Contributions	<u>1,295</u>	<u>40</u>
Total grants, contracts and other support	<u>1,557,727</u>	<u>1,563,615</u>
Total operating revenue and other support	<u>8,392,620</u>	<u>8,957,010</u>
<u>Expenses</u>		
Program expenses		
Regular education	6,041,678	5,407,496
Special education	488,807	405,940
Food service	<u>689,260</u>	<u>540,999</u>
Total program expenses	7,219,745	6,354,435
Supporting services		
Management and general	<u>1,144,196</u>	<u>988,627</u>
Total program and supporting services expenses	<u>8,363,941</u>	<u>7,343,062</u>
Change in net assets	28,679	1,613,948
Net assets without donor restrictions - beginning of year	<u>8,726,827</u>	<u>7,112,879</u>
Net assets without donor restrictions - end of year	<u><u>\$ 8,755,506</u></u>	<u><u>\$ 8,726,827</u></u>

The accompanying notes are an integral part of these financial statements.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Statement of Functional Expenses

For the year ended June 30, 2022

		Program expenses				Supporting services	Total program expenses and supporting services
	No. of positions	Regular education	Special education	Food service	Total programs	Management & general	
Salaries							
Instructional personnel	26	\$ 1,885,323	\$ 142,134	\$ -	\$ 2,027,457	\$ -	\$ 2,027,457
Administrative staff personnel	8	806,679	44,354	-	851,033	254,169	1,105,202
Non-instructional personnel	11	165,909	13,298	207,933	387,140	152,685	539,825
Total salaries	45	2,857,911	199,786	207,933	3,265,630	406,854	3,672,484
Operating expenses							
Payroll taxes and fringe benefits		601,108	42,021	43,735	686,864	85,574	772,438
Retirement		62,719	4,384	4,563	71,666	8,930	80,596
Contracted services - financial and benefit administrative		-	-	-	-	224,985	224,985
Marketing/recruitment		59,976	4,193	4,364	68,533	8,537	77,070
Insurance		29,502	2,062	2,146	33,710	85,683	119,393
Legal and professional		91,069	6,366	6,626	104,061	12,965	117,026
Equipment/furnishings		78,703	5,502	5,726	89,931	11,204	101,135
Building and land rent and lease		21,867	1,529	1,591	24,987	3,113	28,100
Repairs and maintenance		16,618	1,162	1,209	18,989	2,366	21,355
Building security and maintenance		129,296	9,039	9,407	147,742	18,407	166,149
Office expense		9,333	652	679	10,664	1,329	11,993
Staff development		171,789	12,009	12,499	196,297	24,456	220,753
Student services		88,541	75,031	-	163,572	-	163,572
Supplies and instructional materials		100,598	7,032	7,319	114,949	14,322	129,271
Food costs		-	-	261,120	261,120	-	261,120
Transportation service		68,605	2,411	-	71,016	-	71,016
Telephone and internet services		92,067	6,436	6,698	105,201	13,107	118,308
Utilities		210,330	14,703	15,303	240,336	29,943	270,279
Interest expense		765,798	53,535	55,717	875,050	109,019	984,069
Other expenses		78,320	5,475	5,699	89,494	11,149	100,643
Depreciation		507,528	35,479	36,926	579,933	72,253	652,186
Total operating expenses		3,183,767	289,021	481,327	3,954,115	737,342	4,691,457
Total expenses		\$ 6,041,678	\$ 488,807	\$ 689,260	\$ 7,219,745	\$ 1,144,196	\$ 8,363,941

The accompanying notes are an integral part of these financial statements.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Statement of Functional Expenses

For the year ended June 30, 2021

		Program expenses			Supporting services	Total program expenses and supporting services	
	No. of positions	Regular education	Special education	Food service	Total programs	Management & general	
Salaries							
Instructional personnel	27	\$1,794,384	\$140,113	\$ -	\$1,934,497	\$ -	\$ 1,934,497
Administrative staff personnel	6	522,208	31,998	-	554,206	164,753	718,959
Non-instructional personnel	11	177,053	14,715	180,468	372,236	163,958	536,194
Total salaries	44	\$2,493,645	\$186,826	\$180,468	\$2,860,939	328,711	3,189,650
Operating expenses							
Payroll taxes and fringe benefits		568,906	42,623	41,172	652,701	74,992	727,693
Retirement		58,046	4,349	4,201	66,596	7,652	74,248
Contracted services - financial and benefit administrative		-	-	-	-	197,551	197,551
Marketing/recruitment		12,629	946	914	14,489	1,665	16,154
Insurance		20,333	1,523	1,472	23,328	86,522	109,850
Legal and professional		53,701	4,023	3,886	61,610	7,080	68,690
Equipment/furnishings		69,403	5,200	5,023	79,626	9,148	88,774
Building and land rent and lease		19,066	1,428	1,380	21,874	2,513	24,387
Repairs and maintenance		13,902	1,042	1,006	15,950	1,832	17,782
Building security and maintenance		140,649	10,538	10,179	161,366	18,539	179,905
Office expense		8,452	633	612	9,697	1,114	10,811
Staff development		41,405	3,102	2,997	47,504	5,457	52,961
Student services		42,390	3,987	-	46,377	-	46,377
Supplies and instructional materials		68,001	5,095	4,921	78,017	8,965	86,982
Food costs		-	-	152,732	152,732	-	152,732
Telephone and internet services		93,292	6,990	6,752	107,034	12,297	119,331
Utilities		170,608	12,782	12,347	195,737	22,490	218,227
Interest expense		784,620	58,778	56,770	900,168	103,437	1,003,605
Other expenses		90,886	6,809	6,578	104,273	11,982	116,255
Depreciation		657,562	49,266	47,589	754,417	86,680	841,097
Total operating expenses		2,913,851	219,114	360,531	3,493,496	659,916	4,153,412
Total expenses		\$ 5,407,496	\$ 405,940	\$ 540,999	\$ 6,354,435	\$ 988,627	\$ 7,343,062

The accompanying notes are an integral part of these financial statements.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Statements of Cash Flows

For the years ended June 30,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 28,679	\$ 1,613,948
Adjustments to reconcile change in net assets to to net cash provided by operating activities		
Depreciation	652,186	841,097
Amortization of debt issuance costs	23,192	23,192
Cancellation of debt	-	(697,569)
Changes in operating assets and liabilities		
Grants and other receivables	(226,313)	(238,665)
Prepaid expenses	(5,458)	(9,931)
Accounts payable and accrued expenses	20,679	45,413
Accrued payroll and benefits	(118,500)	70,396
Accrued interest payable	(4,199)	(4,037)
Refundable advances	138,115	3,359
Net cash provided by operating activities	<u>508,381</u>	<u>1,647,203</u>
Cash flows from investing activities		
Acquisition of fixed assets	<u>(3,341,464)</u>	<u>(1,053,353)</u>
Net cash used in investing activities	<u>(3,341,464)</u>	<u>(1,053,353)</u>
Cash flows from financing activities		
Repayment of bonds payable	<u>(520,000)</u>	<u>(500,000)</u>
Net cash used in financing activities	<u>(520,000)</u>	<u>(500,000)</u>
Net change in cash, cash equivalents and restricted cash	(3,353,083)	93,850
Cash, cash equivalents and restricted cash - beginning of year	<u>9,660,770</u>	<u>9,566,920</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$ 6,307,687</u>	<u>\$ 9,660,770</u>
Cash, cash equivalents and restricted cash as reported within the statements of financial position		
Cash and cash equivalents	\$ 4,262,564	\$ 7,617,709
Reserves	2,045,123	2,043,061
	<u>\$ 6,307,687</u>	<u>\$ 9,660,770</u>
Supplemental disclosure		
Cash paid for interest	<u>\$ 965,076</u>	<u>\$ 984,450</u>

The accompanying notes are an integral part of these financial statements.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**
Notes to the Financial Statements
June 30, 2022 and 2021

Note 1 Organization

South Bronx Charter School for International Cultures & the Arts (the “School”), a 501(c) (3) tax-exempt organization, is a public charter school located in the Bronx, New York. The School opened in 2005 and through fiscal year 2018 operated classes from kindergarten to fifth grade. Sixth grade, seventh grade and eighth grade classes were added in fiscal year 2019, 2020 and 2021, respectively. The School’s current charter renewal expires on June 30, 2023. The School provides scientifically research-proven standards-based educational programs, with an emphasis on international cultures, the arts, and mastery of a second language.

Friends of South Bronx Charter School for International Culture & the Arts, Inc. (the “Friends of SBCSICA”), is a non-profit organization, founded in October 2018 under Section 402 of the Not-for-Profit Corporate Law of the State of New York. Friends of SBCSICA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Friends of SBCSICA is controlled by the School in its capacity as the sole member of Friends of SBCSICA. As of June 30, 2022, Friends of SBCSICA has no financial activity, and as a result, the two entities did not consolidate as of and for the years ended June 30, 2022 and 2021.

Note 2 Summary of significant accounting policies

Basis of presentation and use of estimates. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents. The School considers all short-term, highly liquid investments, such as money market funds, to be cash equivalents.

Grants and other receivables. Grants and other receivables are recorded at net realizable value and do not bear interest. The allowance for doubtful accounts is the School’s best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectability. Grants and other receivable amounted to \$735,282 and \$508,969 as of June 30, 2022 and 2021, respectively. There was no allowance recorded at June 30, 2022 and 2021, as all amounts are deemed collectible.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Notes to the Financial Statements

June 30, 2022 and 2021

Note 2 Summary of significant accounting policies – (continued)

Financial statements presentation. The financial statements of the School have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the School to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School.

Net assets with donor restrictions. Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Revenue recognition. The School recognizes revenue from the state and local governments based on the School's charter status and the number of students enrolled. Such revenue is recorded when services are performed, in accordance with the charter agreement. The New York State Department of Education mandates the rate per pupil. Such revenue is recognized ratably over the related school year in which it is earned.

Grant and contracts revenue. Grants and contracts revenue are recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance or any unspent funds for which qualifying expenditures have not been incurred are recorded as refundable advances. Any unspent amounts might be returned to the granting agency or the granting agency can approve that those amounts be applied to a future grant period.

Operating risk. The coronavirus outbreak may have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measure, the School cannot reasonably estimate the impact to future results of operations.

Reclassification. Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation. The reclassifications had no effect on 2021 net assets.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**
Notes to the Financial Statements
June 30, 2022 and 2021

Note 2 Summary of significant accounting policies – (continued)

Property and equipment. Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. The School capitalizes additions and significant improvements in excess of \$1,000. Depreciation is computed using the straight-line method over estimated useful lives of the respective asset. The estimated depreciable lives of the different classes of property are as follows:

Asset	Useful Life
Building	39 years
Furniture and fixtures	7 years
Computer, software and office equipment	3 years
Student transportation	3 years

Reserve contingency and escrow reserves. Reserve contingency and escrow reserves relate to reserve and escrow accounts that are required to be maintained by the School in accordance with the bond indenture and charter requirements.

Financing charge. Financing charges are amortized over the terms of the bonds and are reported net of accumulated amortization as of June 30, 2022 and 2021 in bonds payable, net, on the accompanying statements of financial position.

Refundable advances. Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying statements of financial position.

Donated goods and services. The School receives donated services from unpaid volunteers. No amounts have been recognized in the accompanying statements of activities, since the services do not meet the specialized skill criteria for recognition under U.S. GAAP.

Income taxes. The School is tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as a publicly supported organization as described in IRC sections 509(A)(1) and 170(B)(1)(A)(II).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2022, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the accompanying financial statements.

The School is no longer subject to income tax examination by federal, state or local tax authorities for years before June 30, 2019.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**
Notes to the Financial Statements
June 30, 2022 and 2021

Note 2 Summary of significant accounting policies – (continued)

Functional expenses. The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services, and supporting services. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Salaries	Time and effort
Payroll taxes and fringe benefits	Time and effort
Contracted Services - financial and administrative	Direct allocation
Legal and professional	Time and effort
Insurance	Square footage
Repairs and maintenance	Time and effort

Note 3 Liquidity and availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of June 30, are:

Financial assets:	2022	2021
Cash and cash equivalents	\$ 4,262,564	\$ 7,617,709
Grants and other receivables	735,282	508,969
Amount available for general expenditures within one year	<u>\$ 4,997,846</u>	<u>\$ 8,126,678</u>

Note 4 Reserves

Reserves as of June 30, are as follows:

	2022	2021
Interest reserve	\$ 397,767	\$ 397,301
Debt service reserve	1,569,707	1,568,300
Reserve - contingency	77,649	77,460
	<u>\$ 2,045,123</u>	<u>\$ 2,043,061</u>

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**

Notes to the Financial Statements

June 30, 2022 and 2021

Note 5 Property and equipment

Property and equipment consist of the following as of June 30:

	2022	2021
Furniture and fixtures	\$ 957,427	\$ 942,375
Student transportation	45,750	-
Computer equipment and software	1,935,459	1,913,437
Office equipment	196,404	163,980
Land	1,823,000	1,823,000
Building	18,057,399	18,057,399
Construction in Progress	4,770,808	1,544,592
Total property and equipment	27,786,247	24,444,783
Less, accumulated depreciation	(6,495,641)	(5,843,455)
Property and equipment, net	<u>\$ 21,290,606</u>	<u>\$ 18,601,328</u>

The School has expended funds commencing in fiscal year 2020 in connection with plans to purchase land and construct a new building to expand its educational programs in the Bronx. These expenditures included consulting and other service costs to design a building, obtain necessary permits and manage the building project, a cash deposit for the land purchase (\$500,000) and payments for steel and other building materials (approximately \$2,200,000). Total expenditures relating to the project were included in construction in progress at June 30, 2022 and 2021. If the project were not to be completed, the deposit on the land would be fully refundable and management believes that costs incurred for the steel and other building materials could be recovered.

Note 6 Retirement plan

The School offers a 401(k) plan (the “Plan”) for substantially all of its qualifying employees. Employees are eligible for the Plan immediately upon employment. Participation in the Plan is voluntary. Employees can make pretax contributions up to a maximum of 100% of their annual compensation, up to IRS limits for each calendar year. The School matches an employee’s contribution up to 4% of the employee’s annual compensation. For the years ended June 30, 2022 and 2021, the School’s matching contribution was \$80,596 and \$74,248, respectively. Plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the Plan’s participants and beneficiaries.

Note 7 Accrued payroll and benefits

Accrued payroll and benefits consist of amounts earned by the staff during the school year but paid over the summer months. As of June 30, 2022 and 2021, accrued payroll amounted to \$429,382 and \$547,882, respectively.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**
Notes to the Financial Statements
June 30, 2022 and 2021

Note 8 Bonds payable

On June 11, 2013, Build NYC Resource Corporation provided construction and permanent financing of \$22,270,000 through the issuance of \$21,650,000 in Tax-Exempt Revenue Bonds (the “Series 2013A Bonds”), bearing interest at 2.75% to 5% per annum, with principal due at varying amounts annually through maturity on April 15, 2043, and \$620,000 in Taxable Revenue Bonds bearing interest at 6% per annum which were repaid in varying amounts through maturity on April 15, 2017. The proceeds of the bonds were used to construct a five-story building in the Bronx, New York, to be used as classroom, cafeteria, kitchen, art, music room and administrative space.

Future minimum principal payments for the next five years and in the aggregate thereafter are as follow:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 540,000
2024	560,000
2025	590,000
2026	615,000
2027	645,000
Thereafter	16,070,000
Unamortized financing charge	(485,096)
	<u>\$ 18,534,904</u>
	<u>Amount</u>
Bonds payable - current	\$ 540,000
Bonds payable - long term, net	17,994,904
Total bonds payable, net	<u>\$ 18,534,904</u>

As of June 30, 2022 and 2021, the School was in compliance with all debt covenants pursuant to the bond agreement.

Note 9 Concentration of credit risk

The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The management of the School believes it is not exposed to significant credit risk on cash and cash equivalents.

The School received approximately 81% and 83% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York City Department of Education during the years ended June 30, 2022 and 2021, respectively. Additionally, all of the School’s grants receivable is due from the New York State Department of Education.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**
Notes to the Financial Statements
June 30, 2022 and 2021

Note 10 Cancellation of debt

During fiscal year 2021, the School received notification that its Paycheck Protection Program loan (the “PPP loan”) had been forgiven and, as a result, the School recorded cancellation of debt in the amount of \$697,569. Proceeds from the PPP loan had been received by the School in May 2020 from a commercial bank pursuant to the Paycheck Protection Program administered by the Small Business Administration pursuant to the Coronavirus Aid, Relief and Economic Recovery Act (“CARES Act”).

Note 11 Contingency

The School participates in a number of federal and state programs. These programs require that the School comply with certain laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government grants and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

Note 12 Subsequent events

Management has evaluated subsequent events through October 31, 2022, the date that the financial statements were available to be issued. Based on this evaluation, management has determined that no subsequent events have occurred which require disclosure in the financial statements.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**
Schedule of Debt Covenants
For the year ended June 30, 2022

Pursuant to the loan agreement, the School is required to comply with various debt covenants. The minimum requirement and actual results as of and for the year ended June 30, 2022 for each of the debt covenants are as follows:

	Minimum Requirement	Actual
Debt service coverage ratio	1.10	1.12
Days cash on hand	30	202
Net asset balance	\$ 836,394	\$ 8,755,506

The debt service coverage ratio is calculated as follows:

Increase in net assets	\$ 28,679	
Add back: Interest expense (excluding financing charges)	960,877	
Depreciation and amortization	675,378	
Net revenues available for debt service	<u>\$ 1,664,934</u>	
Debt service payments		
Interest expense	\$ 960,877	
Principal	520,000	
Total current debt service	<u>\$ 1,480,877</u>	
Net revenues available for debt service	\$ 1,664,934	
Total current debt service	\$ 1,480,877	= 1.12

The days cash on hand is calculated as follows:

Total expenses	\$ 8,363,941	
Less: Depreciation and amortization	(675,378)	
Net expenses	7,688,563	
Number of days	365	
Cash used per day	<u>\$ 21,065</u>	
Cash and cash equivalents at year end	\$ 4,262,564	
Cash used per day	\$ 21,065	= 202

The minimum net asset balance is calculated as follows:

Beginning net asset balance	\$ 8,726,827	
Net surplus/(deficit)	28,679	
Ending net asset balance	<u>\$ 8,755,506</u>	
Estimated required fund balance		
Maximum annual debt service	\$ 1,480,877	
Gross revenue	8,392,620	
Percentage	18%	
Requirement percentage	10%	
Estimated required fund balance	\$ 836,394	
Amount over to meet fund balance	\$ 7,919,112	

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

Federal Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Identifying Number	Federal Expenditures
U.S. Department of Education			
<u>Pass-through New York State Education Department:</u>			
Title I Grants to Local Educational Agencies	84.010A	0021-22-4312	\$ 300,443
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	0147-22-4312	27,411
English Language Acquisition State Grants	84.365A	0293-22-4312	38,564
Student Support and Academic Enrichment program	84.424A	0204-22-4312	144
Education Stabilization Fund:			
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER-Cares Act) Fund	84.425D	5890-021-4312	34,349
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER2-CRRSA) Fund	84.425D	5891-021-4312	472,884
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER3-ARP) Fund	84.425U	5880-021-4312	73,267
Total for program			580,500
Total U.S. Department of Education			947,062
U.S. Department of Agriculture			
<u>Pass-through New York State Education Department:</u>			
School Breakfast Program	10.553	320700860889	116,120
National School Lunch Program	10.555	320700860889	266,809
After School Snack Program	10.555	320700860889	54,997
Summer Food Service Program	10.559	320700860889	59,739
Total Child Nutrition Cluster			497,665
Total U.S. Department of Agriculture			497,665
Total Expenditures of Federal Awards			\$ 1,444,727

The accompany notes are an integral part of this schedule.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of South Bronx Charter School for International Cultures & the Arts for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of South Bronx Charter School for International Cultures & the Arts, it is not intended to, and does not, present the financial position, changes in net position or cash flows of South Bronx Charter School for International Cultures & the Arts.

Note 2 Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The amounts reported as expenditures in this Schedule may differ from certain financial reports submitted to federal funding agencies, due to those reports being submitted on either the cash or modified cash basis of accounting.

Note 3 Indirect Cost Rate

South Bronx Charter School for International Cultures & the Arts has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Independent Auditor's 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*

To the Board of Trustees of
South Bronx Charter School for International Cultures & the Arts

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 South Bronx Charter School for International Cultures & The Arts, 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 October 31, 2022.

Report on internal control over financial reporting

In planning and performing our audit of the financial statements, we considered South Bronx Charter School for International Cultures & The Arts' 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 South Bronx Charter School for International Cultures & The Arts' internal control. Accordingly, we do not express an opinion on the effectiveness of South Bronx Charter School for International Cultures & The Arts' internal control.

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

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

Report on compliance and other matters

As part of obtaining reasonable assurance about whether South Bronx Charter School for International Cultures & The Arts' 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*.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "NChang LLP". The signature is written in a cursive, slightly slanted style. The letters "N" and "C" are capitalized and prominent. The "LLP" is written in a smaller, more compact script.

New York, New York
October 31, 2022

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Trustees of
South Bronx Charter School for International Cultures & the Arts

Report on compliance for each major federal program

Opinion on each major federal program

We have audited South Bronx Charter School for International Cultures & The Arts' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Bronx Charter School for International Cultures & The Arts' major federal programs for the year ended June 30, 2022. South Bronx Charter School for International Cultures & The Arts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Bronx Charter School for International Cultures & The Arts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for opinion on each major federal program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of South Bronx Charter School for International Cultures & The Arts and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of South Bronx Charter School for International Cultures & The Arts' compliance with the compliance requirements referred to above.

Responsibilities of management for compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to South Bronx Charter School for International Cultures & The Arts' federal programs.

Auditor's responsibilities for the audit of compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on South Bronx Charter School for International Cultures & The Arts' compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about South Bronx Charter School for International Cultures & The Arts' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 South Bronx Charter School for International Cultures & The Arts' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of South Bronx Charter School for International Cultures & The Arts' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of South Bronx Charter School for International Cultures & The Arts' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on internal control over compliance

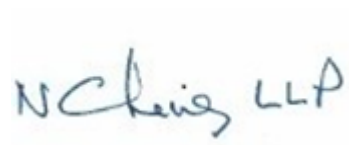
A deficiency in *internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

New York, New York
October 31, 2022

A handwritten signature in blue ink that reads "NCHang LLP". The signature is written in a cursive, flowing style. The letters "NCHang" are connected, and "LLP" is written separately to the right.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**
Schedule of Findings and Questioned Costs
For the year ended June 30, 2022

Schedule I – Summary of auditor’s results

Financial statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?

___ yes X no

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?

___ yes X no

___ yes X none reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance under Section 2CFR200.516(a)

___ yes X no

Identification of major federal programs:

Federal Assistance

<u>Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425D	COVID-19 - Elementary and Secondary School Emergency Relief (ESSER-Cares Act) Fund
84.425D	COVID-19 - Elementary and Secondary School Emergency Relief (ESSER2-CRRSA) Fund
84.425U	COVID-19 - Elementary and Secondary School Emergency Relief (ESSER3-ARP) Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

___ yes X no

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**
Schedule of Findings and Questioned Costs
For the year ended June 30, 2022

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**
Corrective Action Plan
For the year ended June 30, 2022

Corrective action plan is not applicable for the year ended June 30, 2022.

**SOUTH BRONX CHARTER SCHOOL FOR
INTERNATIONAL CULTURES & THE ARTS**
Summary Schedule of Prior Audit Findings
For the year ended June 30, 2022

There were no prior audit findings.