

# Broome Street Academy Charter High School

Financial Report  
June 30, 2015

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Broome Street Academy Charter High School (BSA), which comprise the statements of financial position as of June 30, 2015 and 2014, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Broome Street Academy Charter High School as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 6, 2015 and October 20, 2014 on our consideration of BSA'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 these reports is 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 internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BSA's internal control over financial reporting and compliance.

*McGladrey LLP*

New York, New York  
October 6, 2015

**Broome Street Academy Charter High School**

**Statements of Financial Position  
June 30, 2015 and 2014**

|   | 2015                | 2014                |
|---|---------------------|---------------------|
| <b>Assets</b>                           |                     |                     |
| Cash                                    | \$ 1,654,373        | \$ 844,217          |
| Restricted Cash                         | 75,285              | 75,166              |
| Grants, Contracts and Other Receivables | 35,968              | 86,940              |
| Prepaid Expenses and Other Assets       | 75,816              | 25,638              |
| Property and Equipment, net             | 558,061             | 839,658             |
| <b>Total assets</b>                     | <b>\$ 2,399,503</b> | <b>\$ 1,871,619</b> |
| <b>Liabilities and Net Assets</b>       |                     |                     |
| Liabilities                             |                     |                     |
| Refundable advances                     | \$ 53,595           | \$ 246              |
| Accounts payable and accrued expenses   | 514,994             | 422,986             |
| Deferred rent                           | 46,883              | 93,765              |
| Other                                   | 11,370              | 7,630               |
| <b>Total liabilities</b>                | <b>626,842</b>      | <b>524,627</b>      |
| Commitment and Contingency              |                     |                     |
| Net Assets:                             |                     |                     |
| Unrestricted                            |                     |                     |
| Reserve - Contingency                   | 75,285              | 75,166              |
| Undesignated for general use            | 1,139,315           | 360,060             |
| Net investment in fixed assets          | 558,061             | 839,658             |
| <b>Total unrestricted</b>               | <b>1,772,661</b>    | <b>1,274,884</b>    |
| Temporarily restricted                  | -                   | 72,108              |
| <b>Total net assets</b>                 | <b>1,772,661</b>    | <b>1,346,992</b>    |
| <b>Total liabilities and net assets</b> | <b>\$ 2,399,503</b> | <b>\$ 1,871,619</b> |

See Notes to Financial Statements.

Broome Street Academy Charter High School

Statements of Activities  
Years Ended June 30, 2015 and 2014

|  | 2015             |                        |                  | 2014             |                        |                  |
|--|------------------|------------------------|------------------|------------------|------------------------|------------------|
|  | Unrestricted     | Temporarily Restricted | Total            | Unrestricted     | Temporarily Restricted | Total            |
| <b>Operating Revenue</b>                                     |                  |                        |                  |                  |                        |                  |
| State and local per pupil operating revenue                  | \$ 5,550,051     | \$ -                   | \$ 5,550,051     | \$ 4,318,964     | \$ -                   | \$ 4,318,964     |
| Government grants and contracts                              | 358,270          | -                      | 358,270          | 263,809          | -                      | 263,809          |
| <b>Total operating revenue</b>                               | <b>5,908,321</b> | <b>-</b>               | <b>5,908,321</b> | <b>4,582,773</b> | <b>-</b>               | <b>4,582,773</b> |
| <b>Operating Expenses</b>                                    |                  |                        |                  |                  |                        |                  |
| Program services:  |                  |                        |                  |                  |                        |                  |
| Regular education  | 3,732,466        | -                      | 3,732,466        | 3,204,285        | -                      | 3,204,285        |
| Special education  | 1,238,964        | -                      | 1,238,964        | 1,094,728        | -                      | 1,094,728        |
| <b>Total program services</b>                                | <b>4,971,430</b> | <b>-</b>               | <b>4,971,430</b> | <b>4,299,013</b> | <b>-</b>               | <b>4,299,013</b> |
| Management and general                                       | 707,221          | -                      | 707,221          | 799,207          | -                      | 799,207          |
| <b>Total operating expenses</b>                              | <b>5,678,651</b> | <b>-</b>               | <b>5,678,651</b> | <b>5,098,220</b> | <b>-</b>               | <b>5,098,220</b> |
| <b>Net revenue (deficit)<br/>from school operations</b>      | <b>229,670</b>   | <b>-</b>               | <b>229,670</b>   | <b>(515,447)</b> | <b>-</b>               | <b>(515,447)</b> |
| <b>Public Support and Other Revenues (Expenses)</b>          |                  |                        |                  |                  |                        |                  |
| Public support:  |                  |                        |                  |                  |                        |                  |
| Contributions  | 87,565           | -                      | 87,565           | 242,510          | -                      | 242,510          |
| Foundation and corporate support                             | 158,349          | -                      | 158,349          | 164,264          | 11,250                 | 175,514          |
| Special events, net of expenses of \$56,111                  | 107,636          | -                      | 107,636          | -                | -                      | -                |
| <b>Total public support</b>                                  | <b>353,550</b>   | <b>-</b>               | <b>353,550</b>   | <b>406,774</b>   | <b>11,250</b>          | <b>418,024</b>   |
| <b>Other Revenue (Expenses)</b>                              |                  |                        |                  |                  |                        |                  |
| Interest income  | 460              | -                      | 460              | 182              | -                      | 182              |
| Miscellaneous  | 20               | -                      | 20               | 1,686            | -                      | 1,686            |
| Fund-raising expenses  | (158,031)        | -                      | (158,031)        | (163,697)        | -                      | (163,697)        |
| <b>Net Assets Released from Time and Purpose</b>             |                  |                        |                  |                  |                        |                  |
| Restrictions   | 72,108           | (72,108)               | -                | 287,308          | (287,308)              | -                |
| <b>Total public support<br/>and other revenue (expenses)</b> | <b>268,107</b>   | <b>(72,108)</b>        | <b>195,999</b>   | <b>532,253</b>   | <b>(276,058)</b>       | <b>256,195</b>   |
| <b>Change in net assets</b>                                  | <b>497,777</b>   | <b>(72,108)</b>        | <b>425,669</b>   | <b>16,806</b>    | <b>(276,058)</b>       | <b>(259,252)</b> |
| <b>Net Assets</b>  |                  |                        |                  |                  |                        |                  |
| Beginning  | 1,274,884        | 72,108                 | 1,346,992        | 1,258,078        | 348,166                | 1,606,244        |
| Ending   | \$ 1,772,661     | \$ -                   | \$ 1,772,661     | \$ 1,274,884     | \$ 72,108              | \$ 1,346,992     |

See Notes to Financial Statements.

Broome Street Academy Charter High School

Statements of Functional Expenses  
Years Ended June 30, 2015 and 2014

|  | 2015                 |                      |                     |                              |                   |                                 |                     | 2014                 |                      |                     |                              |                   |                                 |                     |
|--|----------------------|----------------------|---------------------|------------------------------|-------------------|---------------------------------|---------------------|----------------------|----------------------|---------------------|------------------------------|-------------------|---------------------------------|---------------------|
|  | Program Services     |                      |                     | Management<br>and<br>General | Fund-<br>Raising  | Total<br>Supporting<br>Services | Total<br>Expenses   | Program Services     |                      |                     | Management<br>and<br>General | Fund-<br>Raising  | Total<br>Supporting<br>Services | Total<br>Expenses   |
|  | Regular<br>Education | Special<br>Education | Total               |                              |                   |                                 |                     | Regular<br>Education | Special<br>Education | Total               |                              |                   |                                 |                     |
| Salaries                                     | \$ 2,329,356         | \$ 783,993           | \$ 3,113,349        | \$ 240,639                   | \$ 79,648         | \$ 320,287                      | \$ 3,433,636        | \$ 2,016,852         | \$ 678,946           | \$ 2,695,798        | \$ 304,315                   | \$ 75,853         | \$ 380,168                      | \$ 3,075,966        |
| Payroll taxes and employee benefits          | 543,591              | 184,000              | 727,591             | 64,440                       | 14,288            | 78,728                          | 806,319             | 447,606              | 155,603              | 603,209             | 66,063                       | 19,963            | 86,026                          | 689,235             |
| Professional and administrative fees         | 73,914               | 21,336               | 95,250              | 221,721                      | 58,162            | 279,883                         | 375,133             | 56,691               | 31,816               | 88,507              | 213,390                      | 60,322            | 273,712                         | 362,219             |
| Audit fees                                   | 13,279               | 4,829                | 18,108              | 10,072                       | 2,000             | 12,072                          | 30,180              | 14,645               | 5,800                | 20,445              | 7,374                        | 1,511             | 8,885                           | 29,330              |
| Advertising and recruitment                  | 11,761               | 3,511                | 15,272              | 607                          | 821               | 1,428                           | 16,700              | 8,659                | 3,094                | 11,753              | 870                          | -                 | 870                             | 12,623              |
| Equipment and software maintenance           | 35,527               | 10,025               | 45,552              | 8,652                        | -                 | 8,652                           | 54,204              | 22,937               | 7,356                | 30,293              | 2,950                        | 77                | 3,027                           | 33,320              |
| Equipment purchases                          | 9,130                | 2,576                | 11,706              | 2,398                        | -                 | 2,398                           | 14,104              | 13,149               | 4,851                | 18,000              | 6,525                        | -                 | 6,525                           | 24,525              |
| Insurance                                    | 21,440               | 7,536                | 28,976              | 5,524                        | -                 | 5,524                           | 34,500              | 18,241               | 7,160                | 25,401              | 3,924                        | -                 | 3,924                           | 29,325              |
| Membership dues                              | 9,823                | 9,936                | 19,759              | 947                          | -                 | 947                             | 20,706              | 959                  | 338                  | 1,297               | 192                          | 8                 | 200                             | 1,497               |
| Occupancy costs                              | 275,304              | 78,308               | 353,612             | 68,148                       | 434               | 68,582                          | 422,194             | 256,643              | 89,762               | 346,405             | 66,104                       | -                 | 66,104                          | 412,509             |
| Office, instructional supplies and materials | 71,998               | 19,549               | 91,547              | 6,088                        | 275               | 6,363                           | 97,910              | 64,282               | 19,166               | 83,448              | 49,922                       | 3,300             | 53,222                          | 136,670             |
| Postage, printing and copying                | 2,032                | 562                  | 2,594               | 1,273                        | 1,676             | 2,949                           | 5,543               | 3,464                | 1,261                | 4,725               | 811                          | 843               | 1,654                           | 6,379               |
| Staff development                            | 6,257                | 2,078                | 8,335               | 5,828                        | 74                | 5,902                           | 14,237              | 17,348               | 2,954                | 20,302              | 6,643                        | 880               | 7,523                           | 27,825              |
| Student meals                                | 2,694                | 763                  | 3,457               | -                            | -                 | -                               | 3,457               | 1,833                | 811                  | 2,644               | -                            | -                 | -                               | 2,644               |
| Telephone                                    | 13,107               | 3,782                | 16,889              | 2,957                        | -                 | 2,957                           | 19,846              | 4,120                | 1,438                | 5,558               | 1,061                        | -                 | 1,061                           | 6,619               |
| Travel                                       | 580                  | 155                  | 735                 | 144                          | -                 | 144                             | 879                 | 55                   | 19                   | 74                  | 41                           | 42                | 83                              | 157                 |
| Youth events                                 | 31,141               | 8,783                | 39,924              | -                            | -                 | -                               | 39,924              | 14,994               | 5,324                | 20,318              | -                            | -                 | -                               | 20,318              |
| Miscellaneous expenses                       | 95                   | 27                   | 122                 | 1,595                        | 478               | 2,073                           | 2,195               | 3                    | -                    | 3                   | 11,014                       | 723               | 11,737                          | 11,740              |
| Depreciation and amortization                | 281,437              | 97,215               | 378,652             | 66,188                       | 175               | 66,363                          | 445,015             | 241,804              | 79,029               | 320,833             | 58,008                       | 175               | 58,183                          | 379,016             |
| <b>Total expenses</b>                        | <b>\$ 3,732,466</b>  | <b>\$ 1,238,964</b>  | <b>\$ 4,971,430</b> | <b>\$ 707,221</b>            | <b>\$ 158,031</b> | <b>\$ 865,252</b>               | <b>\$ 5,836,682</b> | <b>\$ 3,204,285</b>  | <b>\$ 1,094,728</b>  | <b>\$ 4,299,013</b> | <b>\$ 799,207</b>            | <b>\$ 163,697</b> | <b>\$ 962,904</b>               | <b>\$ 5,261,917</b> |

See Notes to Financial Statements.

**Broome Street Academy Charter High School**

**Statements of Cash Flows**  
**Years Ended June 30, 2015 and 2014**

|   | 2015                | 2014              |
|---|---------------------|-------------------|
| Cash Flows From Operating Activities  |                     |                   |
| Change in net assets  | \$ 425,669          | \$ (259,252)      |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                     |                   |
| Depreciation and amortization   | 445,015             | 379,016           |
| Amortization of deferred rent obligation  | (46,882)            | (21,883)          |
| Net gain on sale of property and equipment  |                     | (1,158)           |
| Changes in operating assets and liabilities:  |                     |                   |
| Increase in restricted cash   | (119)               | (25,067)          |
| Decrease in grants, contracts and other receivables   | 50,972              | 148,893           |
| (Increase) decrease in prepaid expenses and other assets                                    | (50,178)            | 25,609            |
| Increase (decrease) in refundable advances  | 53,349              | (12,141)          |
| Increase in accounts payable and accrued expenses   | 92,008              | 134,056           |
| Increase in other liabilities   | 3,740               | 7,630             |
| <b>Net cash provided by operating activities</b>  | <b>973,574</b>      | <b>375,703</b>    |
| Cash Flows From Investing Activities  |                     |                   |
| Acquisitions of property and equipment  | (163,418)           | (509,563)         |
| Proceeds from sale of property and equipment  | -                   | 1,425             |
| <b>Net cash used in investing activities</b>  | <b>(163,418)</b>    | <b>(508,138)</b>  |
| <b>Net change in cash</b>   | <b>810,156</b>      | <b>(132,435)</b>  |
| Cash  |                     |                   |
| Beginning   | 844,217             | 976,652           |
| Ending  | <b>\$ 1,654,373</b> | <b>\$ 844,217</b> |

See Notes to Financial Statements.

## Broome Street Academy Charter High School

### Notes to Financial Statements

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#### **Note 1. Principal Business Activity and Summary of Significant Accounting Policies**

Broome Street Academy Charter High School (BSA) is a New York State, not-for-profit 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 BSA a provisional charter valid for a term of five years, or until October 18, 2015. That charter is being extended to July 31, 2016, and is renewable upon expiration. The BSA's charter states that it will provide instruction to students in the nine through twelfth grades.

BSA will prepare our young people for post-secondary success that leads to positive life outcomes. We value student strengths and will provide multiple pathways to success through a curriculum of rigorous academic, career and social instruction grounded in the principles of positive youth development. BSA is a tuition-free public charter high school devoted to providing students the necessary skills and support to graduate, while preparing them for a successful future beyond high school. The BSA's admissions policy gives preference to students who are homeless, in foster care, or from low performing middle schools.

BSA opened in the fall of 2011 with a freshman class. BSA has added one grade level since then, and hit its full capacity of ninth through twelfth grade in the 2014-2015 school year. The BSA 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, BSA is partnered with, and housed within, The Door - A Center of Alternatives, Inc. (The Door), a not-for-profit organization under Section 501(c)(3) of the Internal Revenue 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 BSA and The Door, New York City's most at-risk students will realize their greatest potential.

#### **Note 2. Summary of Significant Accounting Policies**

**Basis of financial statement presentation:** The financial statements of the BSA have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP). Net assets are classified and presented as unrestricted, temporarily restricted and permanently restricted based on the designation of donors. BSA had no permanently restricted net assets at June 30, 2015 and 2014.

**State and local per pupil operating revenue:** Revenue from the state and local governments resulting from BSA's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

**Grants and refundable advances:** BSA 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.

**Contributions:** Contributed assets are reported at fair value when BSA obtains possession or an unconditional promise to give. BSA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

## Broome Street Academy Charter High School

### Notes to Financial Statements

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#### **Note 2. Summary of Significant Accounting Policies (Continued)**

Contributed supplies and materials for use in BSA's programs or distribution to students are recognized as revenue and expenses in the accompanying financial statements.

Contributed services are reported as contributions at their fair value if such services create or enhance any nonfinancial assets or would have been purchased if not provided by donation, require specialized skills and are provided by individuals possessing such specialized skills.

A number of volunteers have made a contribution of their time to BSA to develop its academic and other program and to serve on its board of trustees. The value of this contributed time is not reflected in these financial statements as such services do not meet the criteria for recognition under US GAAP.

**Food services:** The New York City Department of Education provides free lunches to a majority of the BSA's students. Such costs are not included in these financial statements. The BSA covers the cost of lunches for children not entitled to the free lunches.

**Cash and Concentration of Credit Risk:** BSA's cash in bank accounts is maintained with one financial institution, and balances at times may exceed federally insured limits. The BSA has not experienced any losses in such accounts.

**Property and equipment and related depreciation and amortization:** Property and equipment is recorded at cost. Additions and improvements in excess of \$5,000 with an estimated useful life of more than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease.

**Accounting estimates:** The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported 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 these estimates.

**Income taxes:** BSA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). As a nonprofit organization, BSA is subject to unrelated business income tax (UBIT), if applicable. For the years ended June 30, 2015 and 2014, BSA did not owe any UBIT. Management has evaluated BSA's tax positions and concluded that the BSA had taken no uncertain tax positions that require adjustments or disclosure to these financial statements.

**Recently adopted accounting pronouncements:** In October 2012, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2012-04, *Technical Corrections and Improvements*. The amendments in this Update cover a wide range of topics including technical corrections and improvements to the Accounting Standards Codification (ASC) and conforming amendments related to fair value measurements. The amendments in this Update will generally be effective for fiscal periods beginning after December 15, 2013 for nonpublic entities, except for amendments in this Update where there was no transition guidance and which were immediately effective upon issuance. The adoption of ASU 2012-04 did not have an impact on the 2015 financial statements of BSA.

## Broome Street Academy Charter High School

### Notes to Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

In April 2013, the FASB issued ASU 2013-06, *Services Received from Personnel of an Affiliate*. The amendments in this Update require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. The amendments in this Update will generally be effective for fiscal periods beginning after June 15, 2014. The adoption of ASU 2013-06 did not have an impact on the 2015 financial statements of BSA.

#### Note 3. Restricted Cash

The BSA maintains an escrow account, pursuant to its charter agreement, to pay off expenses in the event of dissolution of the BSA.

#### Note 4. Grants, Contracts and Other Receivable

Grants, contracts and other receivable are due in full within one year. Management has evaluated these receivables and concluded that all of these receivables will be collected in full when due and no allowance for uncollectible account is necessary.

#### Note 5. Property and Equipment, Net

Property and equipment, at cost, consists of the following as of June 30:

|  | 2015              | 2014              | Estimated Useful Life |
|--|-------------------|-------------------|-----------------------|
| Furniture and equipment                        | \$ 224,259        | \$ 224,259        | 3 - 5 years           |
| Computer equipment                             | 459,523           | 302,274           | 3 - 5 years           |
| Leasehold improvements                         | 926,796           | 920,627           | Term of lease         |
|  | 1,610,578         | 1,447,160         |                       |
| Less accumulated depreciation and amortization | (1,052,517)       | (607,502)         |                       |
|  | <u>\$ 558,061</u> | <u>\$ 839,658</u> |                       |

#### Note 6. Pension Plan

BSA sponsors a 403(b) thrift plan. All employees are immediately eligible to begin making voluntary salary reduction contributions. Additionally, BSA 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 because the eligibility is two years.

## Broome Street Academy Charter High School

### Notes to Financial Statements

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#### **Note 6. Pension Plan (Continued)**

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

During the years ended June 30, 2015 and 2014, BSA contributed \$57,640 and \$41,488, respectively, to the plan.

#### **Note 7. Related Party Transactions**

The Door is the sole member of BSA and three members of the board of The Door are also members of the 13-member board of BSA.

Pursuant to an approved services agreement, BSA paid The Door \$260,000 during each of the years ended June 30, 2015 and 2014 for administrative support and fund-raising services, human resources services, fiscal management and information technology. Such amounts are included as professional and administrative fees in the statements of functional expenses. Service agreements between BSA and The Door are reviewed and approved annually by BSA's board of trustees.

BSA 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 10013. Pursuant to the amendments to this lease agreement in January 2015 and August 2013, BSA paid The Door rent amounting to \$417,542 and \$379,588 for the years ended June 30, 2015 and 2014, respectively. Such amounts are included as occupancy costs in the statements of functional expenses. Aggregate minimum rent payable on this agreement, as amended, is \$275,000 for the fiscal year ending June 30, 2016.

During the year ended June 30, 2015, BSA, The Door, and University Settlement, another 501(C)(3) organization related to BSA through common board members, held a joint special fundraising event. BSA's gross share of revenue from this event amounted to \$163,747. BSA reported its share of revenue from this special event in the 2015 statement of activities, net of its share of expenses of \$56,111.

During the year ended June 30, 2014, BSA received a grant of \$100,000 from The Door for facility-related costs. The amount is included as foundation and corporate support in the 2014 statement of activities.

#### **Note 8. Rental Assistance**

During the year ended June 30, 2015, BSA received \$130,331 of rental assistance payments from the City of New York. Of this amount, \$102,776 was included in government grants and contracts revenue, and \$27,554 were applicable to fiscal year 2016 and included as refundable advances at June 30, 2015. No such payments were received during fiscal year 2014.

#### **Note 9. Contingency**

Certain grants and contracts may be subject to audit by the funding sources. Such audits may result in disallowances of costs submitted for reimbursement by the BSA. Management does not anticipate that any cost disallowances will 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**

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#### **Note 10. Subsequent Events**

BSA evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was October 6, 2015 for these financial statements.



**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  
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 (BSA), which comprise the statement of financial position as of June 30, 2015, 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 6, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered BSA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BSA's internal control. Accordingly, we do not express an opinion on the effectiveness of BSA's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and response as 2015-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether BSA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and response as 2015-001.

**BSA's Response to Findings**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP". The signature is written in black ink and is positioned to the left of the date and location text.

New York, New York  
October 6, 2015

## Broome Street Academy Charter High School

### Schedule of Findings and Response Year Ended June 30, 2015

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#### Significant Deficiency and Compliance Finding

##### 2015-001. Maintenance of Student Records

**Criteria:** Charter schools receive public funding based on the number of students served and the authorized tuition rate for the school district of residence of the students attending the charter school. Accordingly, a charter school should maintain valid proof of residence and adequate admission and attendance records of students.

**Condition:** Our test of 25 sample student folders disclosed the following: (a) 4 student folders did not contain proof of address or residency; (b) 6 student folders did not contain registration or application forms, or the registration or application forms were not signed by the parent or guardian; and (c) 4 sample students (of the 6 student folders identified in (b)) applied online, but their electronic application records were no longer accessible according to management.

**Cause:** BSA serves New York City's most at-risk students, many of whom are homeless or in foster care; thus, making it difficult for management to obtain the appropriate documentation.

**Effect:** Lack of valid proof of residency and adequate admission records makes it difficult to determine that the appropriate school district was billed for the correct level of the services (i.e. FTE).

**Recommendation:** We recommend the following courses of action:

- (a) Proof of residency and duly completed registration or application forms from students or their parents, guardians or caregivers should be obtained at the time of enrollment at BSA. A review of student folders should also be performed during the course of the year so that students, parents, guardians or caregivers could be promptly requested to submit missing documentation. BSA may also consider alternative means of verifying the address of its students.
- (b) Revisit the online application system to ensure that electronic records are accessible and available to BSA even after the school year.

**Management's Response and Corrective Actions:** In effort to accurately address the issues of residency, the Director of Admissions has instituted a 2 week deadline for the families of students enrolled, in order to receive all documentation to complete admissions documents, if the documents have not been submitted by the first day of school. Residency questionnaires along with proof of address are the documents being collected during admissions intake. This questionnaire will also be submitted to caregivers at any point for admissions, the moment the school is notified of a change of address.

We also work with external agencies that support our at-risk population of students to receive demographic information. Our social worker team continuously notifies the admissions team of any information changes they may receive as they work with agencies and families to support our students. This information is then updated in the records and in Powerschool, our student database system.

In addition, an internal audit of all the school records for current students will be conducted over the next few months to make sure all residency documentation is on record. Families will be contacted by the Admissions team to secure proper proof of residency and complete a new residency questionnaire. Broome Street Academy participates in the Online Common Application for all the charter schools. Students that submit their application through this portal do not submit a paper application to be part of the lottery. All incoming 9<sup>th</sup> grade students are entered in the lottery. Their information is imported from the website into an excel spreadsheet that we use for the lottery. Once the site closes after the April deadline, we cannot access the records.

**Broome Street Academy Charter High School**

**Schedule of Findings and Response  
Year Ended June 30, 2015**

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***Management's Response and Corrective Actions: (Continued)***

Since the online application did not allow us to print an application, we have purchased over the summer a new program called SchoolMint that will automatically extract the information from the common application and create an application record for the incoming student that we can print and keep in the student record. This will eliminate this gap in information and insure accuracy in the student records moving forward.

Paper applications will continue to be completed for all transfer students and any other students admitted post lottery.