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

**Financial Statements with Supplementary Information**

For the years ended June 30, 2021 and 2020

**SOUTH BRONX CHARTER SCHOOL FOR  
INTERNATIONAL CULTURES & THE ARTS**  
**Financial Statements**  
June 30, 2021 and 2020

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## **Independent Auditors' Report**

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

### **Report on the financial statements**

We have audited the accompanying financial statements of South Bronx Charter School for International Cultures & the Arts, which comprise the statements of financial position as of June 30, 2021 and 2020, and 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.

### **Auditors' 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 South Bronx Charter School for International Cultures & the Arts as of June 30, 2021 and 2020, 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 matters**

### **Supplemental information**

Our audit was 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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, 2021 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 28, 2021 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, grant agreements, and other matters. The purpose of that report 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 the 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.

NChing LLP

New York, New York  
October 28, 2021

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

	2021	2020
<b><u>Assets</u></b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 7,617,709	\$ 7,524,816
Grants and other receivables	508,969	270,304
Prepaid expenses	39,415	29,484
Total current assets	8,166,093	7,824,604
<b>Property and equipment, net - Note 5</b>	18,601,328	18,389,072
<b>Other assets</b>		
Reserves - Note 4	2,043,061	2,042,104
Total assets	<u>\$ 28,810,482</u>	<u>\$ 28,255,780</u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 284,741	\$ 239,328
Accrued payroll and benefits - Note 7	547,882	477,486
Bonds payable - current portion - Note 9	520,000	500,000
Accrued interest payable	201,058	205,095
Refundable advances	18,262	14,903
Total current liabilities	1,571,943	1,436,812
<b>Long-term liabilities</b>		
Bonds payable (less current portion; net of unamortized deferred financing costs of \$508,288 in 2021 and \$531,480 in 2020) - Note 9	18,511,712	19,008,520
SBA loan - paycheck protection program - Note 8	-	697,569
Total long-term liabilities	18,511,712	19,706,089
Total liabilities	20,083,655	21,142,901
<b>Net assets without donor restrictions</b>		
Undesignated	8,649,367	7,035,711
Reserve - contingency	77,460	77,168
Total net assets without donor restrictions	8,726,827	7,112,879
Total liabilities and net assets without restrictions	<u>\$ 28,810,482</u>	<u>\$ 28,255,780</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>2021</u>	<u>2020</u>
<b><u>Operating revenue and other support</u></b>		
<b>State and local per pupil operating revenue</b>		
General education	\$ 7,393,395	\$ 7,438,062
<b>Grants, contracts and other income</b>		
State and local grants	30,544	123,882
Federal grants	609,308	278,011
Food service	196,909	306,826
Cancellation of debt	697,569	-
Interest income	29,245	107,470
Contributions	40	1,015
Total grants, contracts and other support	<u>1,563,615</u>	<u>817,204</u>
Total operating revenue and other support	<u>8,957,010</u>	<u>8,255,266</u>
<b><u>Expenses</u></b>		
<b>Program expenses</b>		
Regular education	5,407,496	5,096,112
Special education	405,940	415,921
Food service	540,999	511,626
Total program expenses	<u>6,354,435</u>	<u>6,023,659</u>
<b>Supporting services</b>		
Management and general	<u>988,627</u>	<u>1,014,056</u>
Total program and supporting services expenses	<u>7,343,062</u>	<u>7,037,715</u>
Change in net assets	1,613,948	1,217,551
Net assets without donor restrictions - beginning of year	<u>7,112,879</u>	<u>5,895,328</u>
Net assets without donor restrictions - end of year	<u><u>\$ 8,726,827</u></u>	<u><u>\$ 7,112,879</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, 2021

	Program expenses				Supporting services	Total program expenses and supporting services
	Regular education	Special education	Food service	Total programs	Management & general	
<b>Salaries</b>						
Instructional personnel	\$ 1,794,384	\$ 140,113	\$ -	\$ 1,934,497	\$ -	\$ 1,934,497
Administrative staff personnel	522,208	31,998	-	554,206	164,753	718,959
Non-instructional personnel	177,053	14,715	180,468	372,236	163,958	536,194
Total salaries	<u>2,493,645</u>	<u>186,826</u>	<u>180,468</u>	<u>2,860,939</u>	<u>328,711</u>	<u>3,189,650</u>
<b>Operating expenses</b>						
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 leasing	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	766,488	57,420	55,458	879,366	101,047	980,413
Other expenses	90,886	6,809	6,578	104,273	11,982	116,255
Depreciation and amortization	675,694	50,624	48,901	775,219	89,070	864,289
Total operating expenses	<u>2,913,851</u>	<u>219,114</u>	<u>360,531</u>	<u>3,493,496</u>	<u>659,916</u>	<u>4,153,412</u>
Total expenses	<u>\$ 5,407,496</u>	<u>\$ 405,940</u>	<u>\$ 540,999</u>	<u>\$ 6,354,435</u>	<u>\$ 988,627</u>	<u>\$ 7,343,062</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, 2020

	Program expenses				Supporting services	Total program expenses and supporting services
	Regular education	Special education	Food service	Total programs	Management & general	
<b>Salaries</b>						
Instructional personnel	\$ 1,562,296	\$ 117,592	\$ -	\$ 1,679,888	\$ -	\$ 1,679,888
Administrative staff personnel	518,425	28,407	-	546,832	163,339	710,171
Non-instructional personnel	189,568	15,165	203,588	408,321	174,402	582,723
Total salaries	<u>2,270,289</u>	<u>161,164</u>	<u>203,588</u>	<u>2,635,041</u>	<u>337,741</u>	<u>2,972,782</u>
<b>Operating expenses</b>						
Payroll taxes and fringe benefits	445,882	31,653	39,984	517,519	66,332	583,851
Retirement	59,754	4,242	5,358	69,354	8,889	78,243
Contracted services - financial and benefit administrative	-	-	-	-	198,538	198,538
Marketing/recruitment	4,066	289	365	4,720	605	5,325
Insurance	24,528	1,741	2,200	28,469	74,632	103,101
Legal and professional	49,483	3,513	4,437	57,433	7,361	64,794
Equipment leasing	49,405	3,507	4,430	57,342	7,350	64,692
Building and land rent and lease	15,902	1,129	1,426	18,457	2,366	20,823
Repairs and maintenance	14,694	1,043	1,318	17,055	2,186	19,241
Building security and maintenance	136,443	9,686	12,236	158,365	20,298	178,663
Office expense	-	-	-	-	25,614	25,614
Staff development	63,030	4,474	5,652	73,156	9,377	82,533
Student services	76,297	5,416	6,842	88,555	11,350	99,905
Supplies and instructional materials	67,671	4,804	6,068	78,543	10,067	88,610
Food costs	-	-	130,294	130,294	-	130,294
Transportation service	112,839	8,493	-	121,332	-	121,332
Telephone and internet services	79,757	5,662	7,152	92,571	11,865	104,436
Utilities	150,519	10,685	13,498	174,702	22,392	197,094
Interest expense	786,385	109,497	4,977	900,859	94,565	995,424
Other expenses	68,422	4,857	6,136	79,415	10,182	89,597
Depreciation and amortization	620,746	44,066	55,665	720,477	92,346	812,823
Total operating expenses	<u>2,825,823</u>	<u>254,757</u>	<u>308,038</u>	<u>3,388,618</u>	<u>676,315</u>	<u>4,064,933</u>
Total expenses	<u>\$ 5,096,112</u>	<u>\$ 415,921</u>	<u>\$ 511,626</u>	<u>\$ 6,023,659</u>	<u>\$ 1,014,056</u>	<u>\$ 7,037,715</u>

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>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,613,948	\$ 1,217,551
Adjustments to reconcile change in net assets to to net cash provided by operating activities		
Depreciation	841,097	789,631
Amortization	23,192	23,192
Cancellation of debt	(697,569)	-
Changes in operating assets and liabilities		
Grants and other receivables	(238,665)	(24,563)
Prepaid expenses	(9,931)	(28,228)
Accounts payable and accrued expenses	45,413	73,431
Accrued payroll and benefits	70,396	(5,206)
Accrued interest payable	(4,037)	(7,628)
Refundable advances	3,359	4,988
Net cash provided by operating activities	<u>1,647,203</u>	<u>2,043,168</u>
<b>Cash flows from investing activities</b>		
Acquisition of fixed assets	<u>(1,053,353)</u>	<u>(778,348)</u>
Net cash used in investing activities	<u>(1,053,353)</u>	<u>(778,348)</u>
<b>Cash flows from financing activities</b>		
Repayment of bonds payable	(500,000)	(480,000)
SBA loan - paycheck protection program	<u>-</u>	<u>697,569</u>
Net cash (used in)/provided by financing activities	<u>(500,000)</u>	<u>217,569</u>
Net increase in cash, cash equivalents and restricted cash	93,850	1,482,389
Cash, cash equivalents and restricted cash - beginning of year	<u>9,566,920</u>	<u>8,084,531</u>
Cash, cash equivalents and restricted cash - end of year	<u><u>\$ 9,660,770</u></u>	<u><u>\$ 9,566,920</u></u>
<b>Cash, cash equivalents and restricted cash as reported within the statements of financial position</b>		
Cash and cash equivalents	\$ 7,617,709	\$ 7,524,816
Reserves	<u>2,043,061</u>	<u>2,042,104</u>
	<u><u>\$ 9,660,770</u></u>	<u><u>\$ 9,566,920</u></u>
<b>Supplemental disclosure</b>		
Cash paid for interest	<u><u>\$ 984,450</u></u>	<u><u>\$ 1,003,052</u></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, 2021 and 2020

**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 charters 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, 2021, 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, 2021 and 2020.

**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 \$617,049 and \$270,304 as of June 30, 2021 and 2020, respectively. There was no allowance recorded at June 30, 2021 and 2020, as all amounts are deemed collectible.

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

**Notes to the Financial Statements**

June 30, 2021 and 2020

**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.

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

**Notes to the Financial Statements**

June 30, 2021 and 2020

**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:

<u>Asset</u>	<u>Useful Life</u>
Building	39 years
Furniture and fixtures	7 years
Computer, software and office equipment	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, 2021 and 2020 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, 2021, 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, 2018.

**SOUTH BRONX CHARTER SCHOOL FOR  
INTERNATIONAL CULTURES & THE ARTS**  
**Notes to the Financial Statements**  
June 30, 2021 and 2020

**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:	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 7,617,709	\$ 7,524,816
Grants and other receivables	<u>508,969</u>	<u>270,304</u>
Amount available for general expenditures within one year	<u>\$ 8,126,678</u>	<u>\$ 7,795,120</u>

**Note 4 Reserves**

Reserves as of June 30, are as follows:

	<u>2021</u>	<u>2020</u>
Interest reserve	\$ 397,301	\$ 397,031
Debt service reserve	1,568,300	1,567,905
Reserve - contingency	<u>77,460</u>	<u>77,168</u>
	<u>\$ 2,043,061</u>	<u>\$ 2,042,104</u>

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

**Notes to the Financial Statements**

June 30, 2021 and 2020

**Note 5 Property and equipment**

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

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 942,375	\$ 923,000
Computer equipment and software	1,913,437	1,787,460
Office equipment	163,980	121,761
Land	1,823,000	1,823,000
Building	18,057,399	18,057,399
Construction in Progress	<u>1,544,592</u>	<u>678,810</u>
Total property and equipment	24,444,783	23,391,430
Less, accumulated depreciation	<u>(5,843,455)</u>	<u>(5,002,358)</u>
Property and equipment, net	<u><u>\$ 18,601,328</u></u>	<u><u>\$ 18,389,072</u></u>

During fiscal year 2020, the School paid an earnest money deposit of \$500,000 for the future purchase of land and in both fiscal year 2020 and 2021, incurred various consulting costs to design and plan for a new building to expand its programs. Total expenditures in connection with this project were included in construction in progress at June 30, 2021 and 2020. The earnest money deposit is fully refundable if the purchase is not consummated.

**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, 2021 and 2020, the School’s matching contribution was \$74,248 and \$78,243, 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, 2021 and 2020, accrued payroll amounted to \$547,882 and \$477,486, respectively.

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

**Notes to the Financial Statements**

June 30, 2021 and 2020

**Note 8 SBA loan - paycheck protection program**

On May 4, 2020, the School obtained a loan of \$697,569 (the “PPP loan”) from a commercial bank pursuant to the Paycheck Protection Program (“PPP”) administered by the Small Business Administration (the “SBA”) pursuant to the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The PPP Loan and accrued interest will be forgivable after twenty-four weeks as long as the School uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The PPP loan matures on May 4, 2022 and bears an interest rate of 1% per annum, with interest accruing on the unpaid principal balance. No payments of principal or interest were due during the six-month period beginning on the date of the PPP loan (the “Deferral Period”). The PPP loan balance as of June 30, 2020 was \$697,569. During fiscal year 2021, the School received notification that the PPP loan had been forgiven. The School recorded cancellation of debt in the amount of \$697,569.

**Note 9 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>
2022	\$ 520,000
2023	540,000
2024	560,000
2025	590,000
2026	615,000
Thereafter	16,715,000
Unamortized financing charge	(508,288)
	<u>\$ 19,031,712</u>
	<u>Amount</u>
Bonds payable - current	\$ 520,000
Bonds payable - long term, net	18,511,712
Total bonds payable, net	<u>\$ 19,031,712</u>

As of June 30, 2021 and 2020, the School was in compliance with all debt covenants pursuant to the bond agreement.

**SOUTH BRONX CHARTER SCHOOL FOR  
INTERNATIONAL CULTURES & THE ARTS**  
**Notes to the Financial Statements**  
June 30, 2021 and 2020

**Note 10    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 83% and 90% 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, 2021 and 2020, respectively. Additionally, all of the School's grants receivable is due from the New York State Department of Education.

**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 28, 2021, 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, 2021

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, 2021 for each of the debt covenants are as follows:

	<b>Minimum Requirement</b>	<b>Actual</b>
Debt service coverage ratio	1.10	2.34
Days cash on hand	30	429
Net asset balance	\$ 734,306	\$ 8,726,827

**The debt service coverage ratio is calculated as follows:**

Increase in net assets	\$ 1,613,948	
Add back: Interest expense	980,413	
Depreciation and amortization	864,289	
Net revenues available for debt service	<u>\$ 3,458,650</u>	
<b>Debt service payments</b>		
Interest expense	\$ 980,413	
Principal	500,000	
<b>Total current debt service</b>	<u>\$ 1,480,413</u>	
Net revenues available for debt service	<u>\$ 3,458,650</u>	= 2.34
<b>Total current debt service</b>	<u>\$ 1,480,413</u>	

**The days cash on hand is calculated as follows:**

Total expenses	\$ 7,343,062	
Less: Depreciation and amortization	(864,289)	
Net expenses	6,478,773	
Number of days	365	
Cash used per day	<u>\$ 17,750</u>	
Cash and cash equivalents at year end	<u>\$ 7,617,709</u>	= 429
Cash used per day	<u>\$ 17,750</u>	

**The minimum net asset balance is calculated as follows:**

Beginning net asset balance	\$ 7,112,879
Net surplus/(deficit)	1,613,948
Ending net asset balance	<u>\$ 8,726,827</u>
Estimated required fund balance	
Maximum annual debt service	\$ 1,480,413
Gross revenue	8,957,010
Percentage	17%
Requirement percentage	10%
Estimated required fund balance	\$ 734,306
Amount over to meet fund balance	\$ 7,992,521

**SOUTH BRONX CHARTER SCHOOL FOR  
INTERNATIONAL CULTURES & THE ARTS**  
**Schedule of Expenditures of Federal Awards**  
For the year ended June 30, 2021

<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal CFDA No.</u>	<u>Pass-through identifying number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Education</b>			
<u>Pass-through New York State Education Department:</u>			
Title I Grants to Local Educational Agencies	84.010A	0021-21-4312	\$ 266,832
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	0147-21-4312	58,816
English Language Acquisition State Grants	84.367A	0293-21-4312	13,046
Student Support and Academic Enrichment program	84.424A	0204-21-4312	32,855
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	589-021-4312	<u>235,851</u>
Total U.S. Department of Education			<u>607,400</u>
<b>U.S. Department of Agriculture</b>			
<u>Pass-through New York State Department of Education:</u>			
School Breakfast Program	10.553	280201860934	57,099
National School Lunch Program	10.555	280201860934	<u>127,703</u>
Total Child Nutrition Cluster			<u>184,802</u>
Total U.S. Department of Agriculture			<u>184,802</u>
Total Expenditures of Federal Awards			<u><u>\$ 792,202</u></u>

**SOUTH BRONX CHARTER SCHOOL FOR  
INTERNATIONAL CULTURES & THE ARTS**  
**Notes to Schedule of Expenditures of Federal Awards**  
For the year ended June 30, 2021

**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, 2021. 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 Auditors' 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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2021.

**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) 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 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 may exist that have not been identified.

## **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 of 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 audits, 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 South Bronx Charter School for International Cultures & the Arts' internal control or on compliance. This 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

NChing LLP

New York, New York  
October 28, 2021

## **Independent Auditors' 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**

We have audited South Bronx Charter School for International Cultures & the Arts compliance with the types of compliance requirements described 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, 2021. South Bronx Charter School for International Cultures & the Arts' major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each South Bronx Charter School for International Cultures & the Arts' major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Bronx Charter School for International Cultures & the Arts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of South Bronx Charter School for International Cultures & the Arts' compliance.

### **Opinion on Each Major Federal Program**

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, 2021.

### **Report on Internal Control over Compliance**

Management of South Bronx Charter School for International Cultures & the Arts is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South Bronx Charter School for International Cultures & the Arts' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Bronx Charter School for International Cultures & the Arts' 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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.

NChing LLP

New York, New York  
October 28, 2021



**SOUTH BRONX CHARTER SCHOOL FOR  
INTERNATIONAL CULTURES & THE ARTS**  
**Schedule of Findings and Questioned Costs**  
For the year ended June 30, 2021

**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:

<u>CFDA number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I Grants to Local Educational Agencies
10.553 and 10.555	Child Nutrition Cluster

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, 2021

**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, 2021

Corrective action plan is not applicable for the year ended June 30, 2021.

**SOUTH BRONX CHARTER SCHOOL FOR  
INTERNATIONAL CULTURES & THE ARTS**  
**Summary Schedule of Prior Audit Findings**  
For the year ended June 30, 2021

There were no prior audit findings.