

Board of Trustees
Bedford Stuyvesant New Beginnings Charter School

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of Bedford Stuyvesant Charter School (the "School") as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the audit committee, the Board of Trustees, the Department of Education of the City of New York, the State Education Department of the State University of New York, and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP

Harrison, New York
September 29, 2020

Bedford Stuyvesant New Beginnings Charter School

Financial Statements

June 30, 2020 and 2019

Independent Auditors' Report

Board of Trustees Bedford Stuyvesant New Beginnings Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Bedford Stuyvesant New Beginnings Charter School (the "School"), which comprise the statements of financial position as of June 30, 2020 and 2019, 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 auditors' 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 the School as of June 30, 2020 and 2019, 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 report dated September 29, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
September 29, 2020

Bedford Stuyvesant New Beginnings Charter School

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS		
Current Assets		
Cash	\$ 4,333,324	\$ 2,183,755
Grants and contracts receivable	377,073	57,694
Prepaid expenses and other current assets	72,812	38,489
Total Current Assets	4,783,209	2,279,938
Property and equipment, net	1,768,282	1,729,421
Restricted cash	75,540	75,464
Security deposits	79,845	79,845
	\$ 6,706,876	\$ 4,164,668
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 180,754	\$ 191,520
Accrued payroll and payroll taxes	684,149	644,819
Deferred rent, current portion	287,200	184,346
Refundable advances	3,080	-
Total Current Liabilities	1,155,183	1,020,685
Deferred rent	3,387,394	3,305,902
Paycheck Protection Program loan payable	1,985,589	-
Total Liabilities	6,528,166	4,326,587
Net assets (deficit), without donor restrictions	178,710	(161,919)
	\$ 6,706,876	\$ 4,164,668

See notes to financial statements

Bedford Stuyvesant New Beginnings Charter School

Statements of Activities

	Year Ended June 30,	
	2020	2019
REVENUE AND SUPPORT		
State and local per pupil operating revenue	\$ 13,648,901	\$ 13,021,279
State and local per pupil facilities funding	764,807	730,947
Federal grants	467,635	467,975
State and city grants	340,581	430,078
Contributions and private grants	30,988	15,492
After school program	34,763	37,931
In-kind donation	-	1,374
Other income	32,756	39,911
Total Revenue and Support	15,320,431	14,744,987
EXPENSES		
Program Services		
Regular education	9,397,938	9,459,904
Special education	2,688,958	2,556,646
Supplementary education	355,965	462,043
Total Program Services	12,442,861	12,478,593
Supporting Services		
Management and general	2,526,299	2,597,423
Fundraising	10,642	14,515
Total Expenses	14,979,802	15,090,531
Change in Net Assets	340,629	(345,544)
NET ASSETS (DEFICIT)		
Beginning of year	(161,919)	183,625
End of year	\$ 178,710	\$ (161,919)

See notes to financial statements

Bedford Stuyvesant New Beginnings Charter School

Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services				Management and General	Fundraising	Total
	Regular Education	Special Education	Supplementary Education	Total			
Salaries and wages	\$ 5,754,367	\$ 1,665,140	\$ 118,093	\$ 7,537,600	\$ 1,318,581	\$ 7,008	\$ 8,863,189
Employee benefits and payroll taxes	1,463,217	423,411	30,029	1,916,657	337,070	-	2,253,727
Audit and accounting fees	-	-	-	-	19,500	-	19,500
Legal fees	-	-	-	-	2,392	-	2,392
Marketing and recruiting	41,197	13,213	-	54,410	14,397	-	68,807
Financial management services	-	-	-	-	56,994	-	56,994
Contractual services	676	196	14	886	156	-	1,042
Consulting	52,074	15,219	184,964	252,257	224,646	-	476,903
Leased equipment	-	-	-	-	42,084	-	42,084
Student food services	25,075	7,110	-	32,185	5,660	-	37,845
Workshop/PD food	22,380	6,346	-	28,726	5,052	-	33,778
Insurance	72,199	20,472	-	92,671	16,297	-	108,968
Utilities	95,409	27,608	1,958	124,975	21,979	-	146,954
Rent	855,694	247,612	17,561	1,120,867	197,119	-	1,317,986
Postage and shipping	-	-	-	-	8,427	-	8,427
Classroom supplies	136,232	31,191	-	167,423	-	-	167,423
Instructional materials	121,599	27,841	-	149,440	-	-	149,440
Professional development	71,991	16,483	-	88,474	55,165	-	143,639
Repairs and maintenance	211,271	60,855	3,346	275,472	48,444	-	323,916
Office expense	31,536	2,804	-	34,340	61,274	3,634	99,248
Telephone and internet services	33,703	9,556	-	43,259	7,608	-	50,867
Information technology	97,043	27,517	-	124,560	21,906	-	146,466
Student transportation	39,605	9,068	-	48,673	-	-	48,673
Dues and subscriptions	46,852	13,285	-	60,137	10,576	-	70,713
Depreciation and amortization	223,253	63,304	-	286,557	50,395	-	336,952
Interest	2,179	618	-	2,797	491	-	3,288
Miscellaneous	386	109	-	495	86	-	581
Total Expenses	\$ 9,397,938	\$ 2,688,958	\$ 355,965	\$ 12,442,861	\$ 2,526,299	\$ 10,642	\$ 14,979,802

See notes to financial statements

Bedford Stuyvesant New Beginnings Charter School

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services			Total	Management and General		Fundraising	Total
	Regular Education	Special Education	Supplementary Education		General			
Salaries and wages	\$ 5,599,292	\$ 1,513,618	\$ 123,665	\$ 7,236,575	\$ 1,266,446	\$ 7,965	\$ 8,510,986	
Employee benefits and payroll taxes	1,477,149	399,307	32,624	1,909,080	336,205	-	2,245,285	
Audit and accounting fees	-	-	-	-	29,750	-	29,750	
Legal fees	-	-	-	-	9,875	-	9,875	
Marketing and recruiting	57,958	22,092	-	80,050	33,055	-	113,105	
Financial management services	-	-	-	-	83,404	-	83,404	
Contractual services	13,081	3,536	289	16,906	2,977	-	19,883	
Consulting	112,003	30,474	207,827	350,304	239,338	-	589,642	
Leased equipment	-	-	-	-	53,887	-	53,887	
Student food services	2,950	780	-	3,730	657	-	4,387	
Workshop/PD food	32,171	8,509	-	40,680	7,164	-	47,844	
Insurance	71,581	18,932	-	90,513	15,941	-	106,454	
Utilities	129,656	35,049	2,864	167,569	29,510	-	197,079	
Rent	792,522	237,249	90,572	1,120,343	197,707	-	1,318,050	
Postage and shipping	-	-	-	-	8,397	-	8,397	
Classroom supplies	154,112	35,854	-	189,966	-	-	189,966	
Instructional materials	155,351	36,143	-	191,494	-	-	191,494	
Professional development	143,009	33,271	-	176,280	37,031	-	213,311	
Repairs and maintenance	212,253	57,248	4,202	273,703	48,201	-	321,904	
Office expense	38,877	1,934	-	40,811	101,449	6,550	148,810	
Telephone and internet services	25,308	6,693	-	32,001	5,635	-	37,636	
Information technology	114,766	30,354	-	145,120	25,556	-	170,676	
Student transportation	34,887	8,116	-	43,003	-	-	43,003	
Dues and subscriptions	31,598	8,357	-	39,955	7,037	-	46,992	
Depreciation and amortization	253,588	67,069	-	320,657	56,470	-	377,127	
Miscellaneous	7,792	2,061	-	9,853	1,731	-	11,584	
Total Expenses	\$ 9,459,904	\$ 2,556,646	\$ 462,043	\$ 12,478,593	\$ 2,597,423	\$ 14,515	\$ 15,090,531	

See notes to financial statements

Bedford Stuyvesant New Beginnings Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 340,629	\$ (345,544)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	336,952	377,127
Deferred rent	184,346	184,345
Changes in operating assets and liabilities		
Grants and contracts receivable	(319,379)	535,490
Prepaid expenses and other current assets	(34,323)	109,320
Accounts payable and accrued expenses	(10,766)	8,975
Accrued payroll and payroll taxes	39,330	190,071
Net Cash from Operating Activities	539,869	1,059,784
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(375,813)	(339,980)
CASH FLOWS FROM FINANCING ACTIVITY		
Paycheck Protection Program loan proceeds	1,985,589	-
Net Change in Cash and Restricted Cash	2,149,645	719,804
CASH AND RESTRICTED CASH		
Beginning of year	2,259,219	1,539,415
End of year	\$ 4,408,864	\$ 2,259,219
The following table provides a reconciliation of cash and restricted cash within the statements of financial position:		
Cash	\$ 4,333,324	\$ 2,183,755
Restricted cash	75,540	75,464
	\$ 4,408,864	\$ 2,259,219

See notes to financial statements

Bedford Stuyvesant New Beginnings Charter School

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Tax Status

Bedford Stuyvesant New Beginnings Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on January 12, 2010 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The School renewed its charter for an additional five-year term expiring June 30, 2023. At the Bedford Stuyvesant New Beginnings Charter School, families, educators and community members will join together to create a supportive and rigorous academic environment for all students. Through the pursuit of 21st-century learning, project-based & service learning, and traditional coursework, students will be prepared to succeed in academically competitive schools as well as become responsible citizens of the global community. Classes commenced in Brooklyn, New York in September 2010 and the School provided education to approximately 715 students in kindergarten through eighth grade during the 2019-2020 academic year.

The New York City Department of Education provides transportation directly to some of the School's students. Such costs are not included in these financial statements. The School provides universal free lunch to all of the School's scholars.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Adoption of New Accounting Policies

Recognition of Contributions

Effective July 1, 2019, the School adopted Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether contributions and grants should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the School recognizes contributions and grants, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Bedford Stuyvesant New Beginnings Charter School

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (*continued*)

Adoption of New Accounting Policies (continued)

Restricted Cash

In November 2016, the Financial Accounting Standards Board issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 requires significant changes regarding how restricted cash is classified and presented on the statement of cash flows. On July 1, 2019, the School adopted the new guidance regarding the presentation and classification of restricted cash. The guidance requires the School to 1) include restricted cash and restricted cash equivalents in the cash and cash equivalent balances on the statements of cash flows, 2) provide a reconciliation between the statements of financial position and the statements of cash flows when more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents is presented on the statements of financial position, 3) eliminate the presentation of transfers between restricted cash and cash, and 4) include disclosures about the nature of the restrictions for material balances. Adoption of the ASU resulted in a change in the accounting for restricted cash on the statements of cash flows.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions as of June 30, 2020 and 2019.

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

Bedford Stuyvesant New Beginnings Charter School

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (*continued*)

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case such assets are expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Computers and equipment	3 - 5 years
Furniture and fixtures	7 years
Software	3 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2020 and 2019.

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

Deferred Rent

The School records its rent in accordance with U.S. GAAP whereby all rental payments, including fixed rent increases, are recognized on a straight-line basis. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentives, is reflected in deferred rent in the accompanying statement of financial position.

Bedford Stuyvesant New Beginnings Charter School

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (*continued*)

Revenue and Support

Revenue from the state and local governments resulting from the School's charter status, and based on the number of students enrolled, is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Marketing and Recruiting

Marketing and recruiting costs are expensed as incurred for staff and student recruitment. Marketing and recruiting expense for the years ended June 30, 2020 and 2019 was \$68,807 and \$113,105.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2017.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 29, 2020.

3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state, city entitlements and grants. The School expects to collect these receivables within one year and has not provided an allowance for doubtful accounts.

Bedford Stuyvesant New Beginnings Charter School

Notes to Financial Statements
June 30, 2020 and 2019

4. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Computers and equipment	\$ 1,112,498	\$ 981,453
Furniture and fixtures	487,302	469,621
Leasehold improvements	2,799,354	2,572,267
Software	<u>81,936</u>	<u>81,936</u>
	4,481,090	4,105,277
Accumulated depreciation and amortization	<u>(2,712,808)</u>	<u>(2,375,856)</u>
	<u>\$ 1,768,282</u>	<u>\$ 1,729,421</u>

5. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Cash	\$ 4,333,324	\$ 2,183,755
Grants and contracts receivable	<u>377,073</u>	<u>57,694</u>
	<u>\$ 4,710,397</u>	<u>\$ 2,241,449</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in money market accounts and other liquid instruments until it is required for operational use. The School has a \$50,000 line of credit, which it could draw upon.

6. Paycheck Protection Program Loan Payable

On May 15, 2020, the School received a loan under the Paycheck Protection Program authorized by the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") in the amount of \$1,985,589. In accordance with the requirements under the CARES Act, the loan may be forgiven based on the associated spending in accordance with regulations under the CARES Act. For amounts under the loan that are not forgiven, these amounts are due 2 years from the date of the loan and interest would accrue on the unforgiven loan balance at 1% per year. The debt forgiveness will be recognized at the time that the financial institution that issued the loan has reviewed and approved the associated spending and determined the forgivable portion. Management believes that most or all of the loan will be forgiven based on the current understanding of the legislative guidance.

Bedford Stuyvesant New Beginnings Charter School

Notes to Financial Statements June 30, 2020 and 2019

7. Line of Credit

On April 23, 2012, the School entered into an unsecured \$50,000 line of credit agreement with Capital One Bank to provide working capital. The line has no expiration date and bears interest at the Wall Street Journal Prime Rate plus 5.75%. Interest is payable on a monthly basis. There were no outstanding balances under the line of credit as of June 30, 2020 and 2019.

8. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 401(k), for the benefit of its eligible employees. Under the plan, the School provided matching contributions ranging from 5% to 10% of the participant's annual compensation based on years of service. Employee match for the years ended June 30, 2020 and 2019 amounted to \$206,157 and \$170,109.

9. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2020 and 2019 approximately \$4,160,000 and \$2,010,000 of cash was maintained with an institution in excess of FDIC limits.

10. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2020 and 2019, the School received approximately 94% and 93% of total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

11. Commitment

On September 1, 2010, the School entered into a non-cancelable operating lease for office and classroom space expiring on June 30, 2030, with an option to renew the lease for an additional ten years. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes, and other operating expenses. The School is receiving a partial rent credit for the first 10 years of the lease. The School outlined a detailed 10 year capital improvement plan of approximately \$4,900,000 for renovation projects to both the interior and exterior of the building.

Bedford Stuyvesant New Beginnings Charter School

Notes to Financial Statements
June 30, 2020 and 2019

11. Commitment (*continued*)

Future minimum lease payments are as follows for the years ending June 30:

2021	\$ 1,605,186
2022	1,605,186
2023	1,605,186
2024	1,605,186
2025	1,605,186
Thereafter	<u>8,828,523</u>
	<u>\$ 16,854,453</u>

Rent expense for the years ended June 30, 2020 and 2019 was \$1,317,986 and \$1,318,050.

12. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

13. Risks and Uncertainties

The School's operations and financial performance may be affected by the recent COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the School may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in state and local per pupil operating revenue, shortfalls and variations in enrollment, and operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

**Board of Trustees
Bedford Stuyvesant New Beginnings Charter School**

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 Bedford Stuyvesant New Beginnings Charter School (the "School"), which comprise the statement of financial position as of June 30, 2020, 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 September 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

PKF O'Connor Davies, LLP

Harrison, New York
September 29, 2020