

Bedford Stuyvesant New Beginnings Charter School

Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Reports

June 30, 2022 and 2021

Bedford Stuyvesant New Beginnings Charter School

Financial Statements and Uniform Guidance Schedules Together With Independent Auditors' Reports

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Independent Auditors' Report

Board of Trustees Bedford Stuyvesant New Beginnings Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Bedford Stuyvesant New Beginnings Charter School (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bedford Stuyvesant New Beginnings Charter School as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bedford Stuyvesant New Beginnings Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bedford Stuyvesant New Beginnings Charter School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bedford Stuyvesant New Beginnings Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bedford Stuyvesant New Beginnings Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. 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 26, 2022, on our consideration of Bedford Stuyvesant New Beginnings Charter 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 Bedford Stuyvesant New Beginnings Charter 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 Bedford Stuyvesant New Beginnings Charter School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 26, 2022

Bedford Stuyvesant New Beginnings Charter School

Statements of Financial Position

	June 30,	
	2022	2021
ASSETS		
Current Assets		
Cash	\$ 4,890,082	\$ 4,290,182
Grants and contracts receivable	2,869,870	887,275
Prepaid expenses and other current assets	38,900	20,036
Total Current Assets	7,798,852	5,197,493
Property and equipment, net	1,877,445	1,773,403
Restricted cash	75,691	75,615
Security deposits	79,845	79,845
	\$ 9,831,833	\$ 7,126,356
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 695,010	\$ 347,767
Accrued payroll and payroll taxes	551,650	601,699
Deferred rent, current portion	287,200	287,200
Refundable advances	163,568	3,080
Total Current Liabilities	1,697,428	1,239,746
Deferred rent	2,812,994	3,100,194
Paycheck Protection Program loan payable	-	1,985,589
Total Liabilities	4,510,422	6,325,529
Net assets, without donor restrictions	5,321,411	800,827
	\$ 9,831,833	\$ 7,126,356

See notes to financial statements

Bedford Stuyvesant New Beginnings Charter School

Statements of Activities

	Year Ended June 30,	
	2022	2021
OPERATING REVENUE		
State and Local Per Pupil Operating Revenue		
General education	\$ 12,050,760	\$ 11,508,457
Special education	2,550,530	2,505,783
Facilities	790,141	768,013
Federal grants	4,675,437	1,302,196
Federal E-Rate and IDEA	171,631	138,877
State and city grants	329,341	341,513
Total Operating Revenue	20,567,840	16,564,839
EXPENSES		
Program Services		
Regular education	11,286,141	10,062,638
Special education	3,407,014	3,003,987
Supplementary education	374,849	305,470
Total Program Services	15,068,004	13,372,095
Supporting Services		
Management and general	3,118,776	2,598,699
Fundraising	15,752	13,430
Total Expenses	18,202,532	15,984,224
Surplus from Operations	2,365,308	580,615
SUPPORT AND OTHER REVENUE		
Contributions and private grants	28,366	30,030
Donated goods	99,994	-
Other income	41,327	11,472
Gain on forgiveness of Paycheck		
Protection Program loan	1,985,589	-
Total Support and Other Revenue	2,155,276	41,502
Change in Net Assets	4,520,584	622,117
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	800,827	178,710
End of year	\$ 5,321,411	\$ 800,827

See notes to financial statements

Bedford Stuyvesant New Beginnings Charter School

Statement of Functional Expenses
Year Ended June 30, 2022

	No. of Positions	Program Services			Total	Management and		Total
		Regular Education	Special Education	Supplementary Education		General	Fundraising	
Personnel Service Cost								
Administrative staff personnel	15	\$ 1,108,762	\$ 303,819	\$ -	\$ 1,412,581	\$ -	\$ -	\$ 1,412,581
Instructional personnel	74	4,166,124	1,313,444	-	5,479,568	-	-	5,479,568
Non - instructional personnel	17	439,969	124,829	325,229	890,027	1,385,746	7,376	2,283,149
Total Personnel Service Cost	<u>106</u>	<u>5,714,855</u>	<u>1,742,092</u>	<u>325,229</u>	<u>7,782,176</u>	<u>1,385,746</u>	<u>7,376</u>	<u>9,175,298</u>
Fringe benefits and payroll taxes		1,481,746	451,689	-	1,933,435	410,835	-	2,344,270
Accounting and auditing services		-	-	-	-	91,840	-	91,840
Legal services		-	-	-	-	6,196	-	6,196
Marketing and recruiting		78,709	27,075	-	105,784	23,377	-	129,161
Other professional and consulting services		354,463	108,053	49,620	512,136	279,300	-	791,436
Equipment and furnishings		-	-	-	-	38,935	-	38,935
Food service		412,836	125,847	-	538,683	113,932	533	653,148
Staff development		187,028	53,547	-	240,575	106,912	96	347,583
Insurance		100,815	30,732	-	131,547	27,822	130	159,499
Utilities		167,130	50,947	-	218,077	46,339	-	264,416
Building and land rent		833,061	253,947	-	1,087,008	230,978	-	1,317,986
Student service		178,869	50,463	-	229,332	12,988	61	242,381
Supplies and materials		965,994	264,698	-	1,230,692	-	-	1,230,692
Repairs and maintenance		343,372	110,769	-	454,141	100,605	145	554,891
Office expense		45,424	8,747	-	54,171	125,576	7,411	187,158
Technology		130,825	39,880	-	170,705	36,273	-	206,978
Depreciation and amortization		285,552	86,863	-	372,415	79,607	-	452,022
Other		5,462	1,665	-	7,127	1,515	-	8,642
Total Expenses		<u>\$ 11,286,141</u>	<u>\$ 3,407,014</u>	<u>\$ 374,849</u>	<u>\$ 15,068,004</u>	<u>\$ 3,118,776</u>	<u>\$ 15,752</u>	<u>\$ 18,202,532</u>

See notes to financial statements

Bedford Stuyvesant New Beginnings Charter School

Statement of Functional Expenses
Year Ended June 30, 2021

	No. of Positions	Program Services			Total	Management and Fundraising		Total
		Regular Education	Special Education	Supplementary Education		General	Fundraising	
Personnel Service Cost								
Administrative staff personnel	15	\$ 1,024,187	\$ 280,644	\$ -	\$ 1,304,831	\$ -	\$ -	\$ 1,304,831
Instructional personnel	74	4,454,491	1,363,253	-	5,817,744	-	-	5,817,744
Non - instructional personnel	17	<u>340,736</u>	<u>97,514</u>	<u>71,056</u>	<u>509,306</u>	<u>1,264,841</u>	<u>7,162</u>	<u>1,781,309</u>
Total Personnel Service Cost	<u>106</u>	<u>5,819,414</u>	<u>1,741,411</u>	<u>71,056</u>	<u>7,631,881</u>	<u>1,264,841</u>	<u>7,162</u>	<u>8,903,884</u>
Fringe benefits and payroll taxes		1,514,426	453,179	-	1,967,605	349,513	-	2,317,118
Accounting and auditing services		-	-	-	-	38,500	-	38,500
Legal services		-	-	-	-	1,863	-	1,863
Marketing and recruiting		29,668	11,704	-	41,372	15,175	-	56,547
Other professional and consulting services		132,160	39,548	234,414	406,122	255,858	-	661,980
Equipment and furnishings		-	-	-	-	35,697	-	35,697
Food service		315,010	94,264	-	409,274	72,313	388	481,975
Staff development		91,353	26,028	-	117,381	29,156	49	146,586
Insurance		117,987	35,307	-	153,294	27,085	145	180,524
Utilities		129,680	38,806	-	168,486	29,929	-	198,415
Building and land rent		874,483	261,682	-	1,136,165	201,821	-	1,337,986
Student service		14,477	4,275	-	18,752	2,802	15	21,569
Supplies and materials		188,100	51,545	-	239,645	19	-	239,664
Repairs and maintenance		381,284	114,096	-	495,380	87,765	232	583,377
Office expense		53,384	12,083	-	65,467	93,770	5,439	164,676
Technology		135,524	40,554	-	176,078	31,277	-	207,355
Depreciation and amortization		251,146	75,153	-	326,299	57,962	-	384,261
Other		<u>14,542</u>	<u>4,352</u>	<u>-</u>	<u>18,894</u>	<u>3,353</u>	<u>-</u>	<u>22,247</u>
Total Expenses		<u>\$ 10,062,638</u>	<u>\$ 3,003,987</u>	<u>\$ 305,470</u>	<u>\$ 13,372,095</u>	<u>\$ 2,598,699</u>	<u>\$ 13,430</u>	<u>\$ 15,984,224</u>

Bedford Stuyvesant New Beginnings Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,520,584	\$ 622,117
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	452,022	384,261
Deferred rent	(287,200)	(287,200)
Gain on forgiveness of Paycheck Protection Program loan	(1,985,589)	-
Changes in operating assets and liabilities		
Grants and contracts receivable	(1,982,595)	(510,202)
Prepaid expenses and other current assets	(18,864)	52,776
Accounts payable and accrued expenses	347,243	166,969
Accrued payroll and payroll taxes	(50,049)	(82,450)
Refundable advances	160,488	44
Net Cash from Operating Activities	1,156,040	346,315
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(556,064)	(389,382)
Net Change in Cash and Restricted Cash	599,976	(43,067)
CASH AND RESTRICTED CASH		
Beginning of year	4,365,797	4,408,864
End of year	\$ 4,965,773	\$ 4,365,797

See notes to financial statements

Bedford Stuyvesant New Beginnings Charter School

Notes to Financial Statements
June 30, 2022 and 2021

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 (the "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 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 and 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 712 students in kindergarten through eighth grade during the 2021-2022 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.

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.

Bedford Stuyvesant New Beginnings Charter School

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Net Asset Presentation (continued)

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, 2022 and 2021.

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.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position to the amounts presented in the statements of cash flows as of June 30:

	2022	2021
Cash	\$ 4,890,082	\$ 4,290,182
Restricted cash	<u>75,691</u>	<u>75,615</u>
	<u>\$ 4,965,773</u>	<u>\$ 4,365,797</u>

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

Bedford Stuyvesant New Beginnings Charter School

Notes to Financial Statements
June 30, 2022 and 2021

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

Property and Equipment (continued)

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, 2022 or 2021.

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 statements of financial position.

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. In-kind donations are recorded at the estimated fair value at the date the services and goods are received.

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, 2022 and 2021 was \$129,161 and \$56,547.

Bedford Stuyvesant New Beginnings Charter School

Notes to Financial Statements
June 30, 2022 and 2021

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

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the School's ongoing services. Non-operating activities include gain on forgiveness of Paycheck Protection Program loan, revenue and support from non-governmental sources that include grants and contributions revenue, return on investments and other activities considered to be of a non-recurring nature.

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.

Reclassifications

Certain 2021 accounts have been reclassified to conform to the 2022 financial statement presentation.

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, 2019.

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 October 26, 2022.

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. Management has assessed the need for an allowance for doubtful accounts and has determined that such allowance is not necessary.

Bedford Stuyvesant New Beginnings Charter School

Notes to Financial Statements
June 30, 2022 and 2021

4. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Computers and equipment	\$ 1,714,318	\$ 1,325,782
Furniture and fixtures	543,347	502,187
Leasehold improvements	3,086,934	2,960,566
Software	<u>81,936</u>	<u>81,936</u>
	5,426,535	4,870,471
Accumulated depreciation and amortization	<u>(3,549,090)</u>	<u>(3,097,068)</u>
	<u>\$ 1,877,445</u>	<u>\$ 1,773,403</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 statements of financial position dates, are comprised of the following at June 30:

	<u>2022</u>	<u>2021</u>
Cash	\$ 4,890,082	\$ 4,290,182
Grants and contracts receivable	<u>2,869,870</u>	<u>887,275</u>
	<u>\$ 7,759,952</u>	<u>\$ 5,177,457</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 will continue to rely on funding received from the New York City Department of Education to cover its future operating costs (see Note 11). In addition, 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 qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified PPP lender, for an aggregate principal amount of \$1,985,589 (the "PPP Loan"). The PPP Loan bore interest at a fixed rate of 1.0% per annum, had a term of two years, and was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the PPP upon the School's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the School. The School applied for forgiveness of the PPP Loan with respect to these covered expenses. On July 27, 2021, the PPP Loan was forgiven by the SBA, and as such, the School has recognized the proceeds as gain on forgiveness of Paycheck Protection Program loan in the accompanying 2022 statement of activities.

Bedford Stuyvesant New Beginnings Charter School

Notes to Financial Statements
June 30, 2022 and 2021

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, 2022 and 2021.

8. Donated Goods

Donated goods are recorded at their fair value when received. During the year ended June 30, 2022, one entity provided computers to the School at no charge. The value of these goods meets the criteria for recognition in the financial statements and it is recorded at fair value of \$99,994 for the year ended June 30, 2022. Fair value is estimated using market value of similar goods available for purchase by the School. The computers will be used for program services, and the value of the computers is included in supplies and materials in the accompanying 2022 statement of activities and functional expenses. There were no donor-imposed restrictions associated with the donated goods.

9. 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 up to 6% of the participant's annual compensation based on years of service. Employee match for the years ended June 30, 2022 and 2021 amounted to \$219,421 and \$255,616.

10. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and restricted cash 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, 2022 and 2021 approximately \$4,715,000 and \$4,115,000 of cash was maintained with an institution in excess of FDIC limits.

11. 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, 2022 and 2021, the School received approximately 68% and 89% 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.

Bedford Stuyvesant New Beginnings Charter School

Notes to Financial Statements
June 30, 2022 and 2021

12. 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.

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

2023	\$ 1,605,186
2024	1,605,186
2025	1,605,186
2026	1,765,705
2027	1,765,705
Thereafter	<u>5,297,114</u>
	<u>\$ 13,644,082</u>

Rent expense for the years ended June 30, 2022 and 2021 was \$1,317,986 and \$1,337,986.

13. 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.

14. 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.

* * * * *

Bedford Stuyvesant New Beginnings Charter School

Uniform Guidance
Schedules and Reports

June 30, 2022

Bedford Stuyvesant New Beginnings Charter School

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Pass-Through New York State Education Department: Child and Adult Care Food Program	10.558	Not Available	\$ -	\$ 62,908
Pass-Through New York State Education Department: <i>Child Nutrition Cluster:</i>				
Fresh Fruit and Vegetable Program	10.582	Not Available	-	37,108
School Breakfast Program	10.553	Not available	-	134,814
National School Lunch Program	10.555	Not available	-	578,073
Total Child Nutrition Cluster			-	749,995
Total U.S. Department of Agriculture			-	812,903
<u>U.S. Department of Education</u>				
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021224725	-	305,992
English Language Acquisition State Grants	84.365	0293224725	-	18,696
Higher Education Institutional Aid	84.031	0149224725	-	30,955
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147224725	-	41,264
Student Support and Academic Enrichment Program	84.424	0204224725	-	22,841
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP HCY II	84.425W	5218214725	-	21,363
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891214725	-	1,015,600
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880214725	-	2,267,423
Total U.S. Department of Education			-	3,724,134
<u>Department of Health and Human Services</u>				
Pass-Through New York State Education Department: Child Care and Development Block Grant	93.575	not available	-	89,200
<u>Federal Communications Commission</u>				
Pass-Through Universal Service Administrative Company: Emergency Connectivity Fund Program	32.009	not available	-	49,200
Total Expenditures of Federal Awards			\$ -	\$ 4,675,437

See independent auditors' report and notes to schedule of expenditures of federal awards

Bedford Stuyvesant New Beginnings Charter School

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Bedford Stuyvesant New Beginnings Charter School (the "School"), under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the 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"). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2022.

Report on 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) 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
October 26, 2022

**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bedford Stuyvesant New Beginnings Charter School's (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

PKF O'Connor Davies, LLP

Harrison, New York
October 26, 2022

Bedford Stuyvesant New Beginnings Charter School

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to the financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

<u>Federal Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D	Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II
84.425U	Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP
84.425W	Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP HCY II

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2022.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instance of noncompliance and none of the costs tested which were reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV – Prior Year Findings

There were no findings in the prior year.