

Bedford Stuyvesant New Beginnings Charter School

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

June 30, 2023 and 2022

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 (the "School") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 the School as of June 30, 2023 and 2022, 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 the 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 opinion.

Change in Accounting Policy

As discussed in Note 2 to the financial statements, the School adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases*, which resulted in the recognition of right of use assets and related lease liabilities effective July 1, 2022. Our opinion is not modified with respect to the matter.

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 the 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 the 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 the 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 30, 2023, 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
October 30, 2023

Bedford Stuyvesant New Beginnings Charter School

Statements of Financial Position

	June 30,	
	2023	2022
ASSETS		
Current Assets		
Cash	\$ 4,872,001	\$ 4,890,082
Grants and contracts receivable	701,784	2,869,870
Prepaid expenses and other current assets	141,854	38,900
Total Current Assets	5,715,639	7,798,852
Property and equipment, net	1,830,541	1,877,445
Right of use assets - operating leases, net	7,971,140	-
Restricted cash	75,766	75,691
Security deposits	79,845	79,845
	\$ 15,672,931	\$ 9,831,833
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 513,946	\$ 695,010
Accrued payroll and payroll taxes	541,752	551,650
Deferred rent	-	287,200
Operating lease liabilities	1,298,729	-
Refundable advances	4,281	163,568
Total Current Liabilities	2,358,708	1,697,428
Deferred rent, less current portion	-	2,812,994
Operating lease liabilities, less current portion	9,485,405	-
Total Liabilities	11,844,113	4,510,422
Net assets, without donor restrictions	3,828,818	5,321,411
	\$ 15,672,931	\$ 9,831,833

See notes to financial statements

Bedford Stuyvesant New Beginnings Charter School

Statements of Activities

	Year Ended June 30,	
	2023	2022
OPERATING REVENUE		
State and Local Per Pupil Operating Revenue		
General education	\$ 12,783,758	\$ 12,050,760
Special education	2,471,521	2,550,530
Facilities	869,844	790,141
Federal grants	1,532,450	4,675,437
Federal E-Rate and IDEA	247,165	171,631
State and city grants	339,930	329,341
Total Operating Revenue	18,244,668	20,567,840
EXPENSES		
Program Services		
Regular education	12,320,918	11,286,141
Special education	3,676,908	3,407,014
Supplementary education	390,428	374,849
Total Program Services	16,388,254	15,068,004
Supporting Services		
Management and general	3,692,820	3,118,776
Fundraising	17,452	15,752
Total Expenses	20,098,526	18,202,532
 (Deficit) Surplus from Operations	 (1,853,858)	 2,365,308
SUPPORT AND OTHER REVENUE		
Contributions and private grants	288,910	28,366
Donated goods	27,276	99,994
Other income	45,079	41,327
Gain on forgiveness of Paycheck		
Protection Program loan	-	1,985,589
Total Support and Other Revenue	361,265	2,155,276
 Change in Net Assets	 (1,492,593)	 4,520,584
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	5,321,411	800,827
 End of year	 \$ 3,828,818	 \$ 5,321,411

See notes to financial statements

Bedford Stuyvesant New Beginnings Charter School

Statement of Functional Expenses
Year Ended June 30, 2023

	No. of Positions	Program Services			Total	Management and General	Fundraising	Total
		Regular Education	Special Education	Supplementary Education				
Personnel Service Cost								
Administrative staff personnel	16	\$ 1,331,238	\$ 339,736	\$ -	\$ 1,670,974	\$ 727,860	\$ 7,598	\$ 2,406,432
Instructional personnel	98	4,902,468	1,558,398	390,428	6,851,294	-	-	6,851,294
Non - instructional personnel	<u>7</u>	-	-	-	-	690,807	-	690,807
Total Personnel Service Cost	<u>121</u>	6,233,706	1,898,134	390,428	8,522,268	1,418,667	7,598	9,948,533
Fringe benefits and payroll taxes		1,578,739	480,719	-	2,059,458	429,483	-	2,488,941
Accounting and auditing services		-	-	-	-	40,510	-	40,510
Legal services		-	-	-	-	5,597	-	5,597
Marketing and recruiting		89,091	28,630	-	117,721	25,758	-	143,479
Other professional and consulting services		360,394	109,738	-	470,132	783,741	-	1,253,873
Equipment and furnishings		-	-	-	-	42,340	-	42,340
Food service		492,619	150,000	-	642,619	133,412	600	776,631
Staff development		316,327	85,632	-	401,959	97,364	151	499,474
Insurance		103,558	31,533	-	135,091	28,046	126	163,263
Utilities		182,744	55,645	-	238,389	49,715	-	288,104
Building and land rent		852,544	259,596	-	1,112,140	231,926	-	1,344,066
Student service		178,223	44,897	-	223,120	2,625	12	225,757
Supplies and materials		937,023	235,329	-	1,172,352	10,307	46	1,182,705
Repairs and maintenance		405,604	123,505	-	529,109	110,252	90	639,451
Office expense		68,253	14,575	-	82,828	141,052	8,829	232,709
Technology		135,760	41,338	-	177,098	36,933	-	214,031
Depreciation and amortization		377,234	114,866	-	492,100	102,625	-	594,725
Other		<u>9,099</u>	<u>2,771</u>	-	<u>11,870</u>	<u>2,467</u>	-	<u>14,337</u>
Total Expenses		<u>\$ 12,320,918</u>	<u>\$ 3,676,908</u>	<u>\$ 390,428</u>	<u>\$ 16,388,254</u>	<u>\$ 3,692,820</u>	<u>\$ 17,452</u>	<u>\$ 20,098,526</u>

Bedford Stuyvesant New Beginnings Charter School

Statement of Functional Expenses
Year Ended June 30, 2022

	No. of Positions	Program Services			Total	Management and General	Fundraising	Total
		Regular Education	Special Education	Supplementary Education				
Personnel Service Cost								
Administrative staff personnel	13	\$ 1,263,656	\$ 350,533	\$ -	\$ 1,614,189	\$ 653,753	\$ 7,376	\$ 2,275,318
Instructional personnel	86	4,451,199	1,391,559	325,229	6,167,987	-	-	6,167,987
Non - instructional personnel	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>731,993</u>	<u>-</u>	<u>731,993</u>
Total Personnel Service Cost	<u>106</u>	5,714,855	1,742,092	325,229	7,782,176	1,385,746	7,376	9,175,298
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		<u>5,462</u>	<u>1,665</u>	<u>-</u>	<u>7,127</u>	<u>1,515</u>	<u>-</u>	<u>8,642</u>
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>

Bedford Stuyvesant New Beginnings Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,492,593)	\$ 4,520,584
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	594,725	452,022
Amortization of right of use assets - operating leases	963,171	-
Deferred rent	-	(287,200)
Gain on forgiveness of Paycheck Protection Program loan	-	(1,985,589)
Changes in operating assets and liabilities		
Grants and contracts receivable	2,168,086	(1,982,595)
Prepaid expenses and other current assets	(102,954)	(18,864)
Accounts payable and accrued expenses	(181,064)	347,243
Accrued payroll and payroll taxes	(9,898)	(50,049)
Operating lease liabilities	(1,250,371)	-
Refundable advances	<u>(159,287)</u>	<u>160,488</u>
Net Cash from Operating Activities	529,815	1,156,040
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	<u>(547,821)</u>	<u>(556,064)</u>
Net Change in Cash and Restricted Cash	(18,006)	599,976
CASH AND RESTRICTED CASH		
Beginning of year	<u>4,965,773</u>	<u>4,365,797</u>
End of year	<u>\$ 4,947,767</u>	<u>\$ 4,965,773</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for amounts included in the measurement of lease liability	\$ 1,629,598	\$ -

See notes to financial statements

Bedford Stuyvesant New Beginnings Charter School

Notes to Financial Statements
June 30, 2023 and 2022

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, now expiring June 30, 2028. 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 723 students in kindergarten through eighth grade during the 2022-2023 academic year.

On October 12, 2023, the School was granted a provisional charter for a second school to operate classes for ninth through twelve grade, 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. Classes are scheduled to commence in September 2024.

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 Pronouncement

Leases (Topic 842)

In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*, which requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months.

Bedford Stuyvesant New Beginnings Charter School

Notes to Financial Statements
June 30, 2023 and 2022

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

Adoption of New Accounting Pronouncements (continued)

Leases (Topic 842) (continued)

ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The School adopted the requirements of the new standard effective July 1, 2022, using the modified retrospective transition method, which applies the provisions of the standard at the effective date without any adjustment to the comparative periods presented. The School adopted the following practical expedients and elected the following accounting policies related to this standard: Carry forward of historical lease classifications and accounting treatment.

Accordingly, the School will recognize lease payments on a straight-line basis over the lease term and variable payments in the period when the corresponding obligation is incurred. As a result of the adoption of the new lease accounting guidance, on July 1, 2022, the School recognized a lease liability of \$11,981,176 that represents the present value of the operating lease payments of \$13,731,372, discounted with a risk-free interest rate using the treasury bond rate for 20 years of 3.35% and 3 years of 2.85%, and a right of use (“ROU”) asset of \$8,934,311, which represents the lease liability adjusted for deferred rent of \$3,100,194. The standard did not materially impact the statements of activities and 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, 2023 and 2022.

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, 2023 and 2022

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

Restricted Cash (continued)

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 at June 30:

	2023	2022
Cash	<u>\$ 4,872,001</u>	<u>\$ 4,890,082</u>
Restricted cash	<u>75,766</u>	<u>75,691</u>
	<u>\$ 4,947,767</u>	<u>\$ 4,965,773</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

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, 2023 or 2022.

Leases

The School accounts for leases under Topic 842. The School determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets and operating lease liabilities on the accompanying statement of financial position. The School made the short-term lease election for leases with an initial term of less than 12 months. ROU assets represent the right to use underlying assets for the lease terms and lease liabilities represent the obligation to make lease payments arising from the leases.

Bedford Stuyvesant New Beginnings Charter School

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Leases (continued)

Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease terms. When leases do not provide an implicit borrowing rate, the School uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU assets includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease terms. The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The School has lease agreements with lease and non-lease components, which are generally accounted for separately. The School's lease agreements do not contain any variable lease components. The School applies the short-term lease exemption to all of its classes of underlying assets

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.

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, 2023 and 2022 was \$143,479 and \$129,161.

Bedford Stuyvesant New Beginnings Charter School

Notes to Financial Statements
June 30, 2023 and 2022

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, such as personnel service costs, fringe benefits and payroll taxes, other purchased professional and consulting services, building and land rent/lease, and supplies and materials 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, 2020.

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 30, 2023.

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, 2023 and 2022

4. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Computers and equipment	\$ 1,904,195	\$ 1,714,318
Furniture and fixtures	584,310	543,347
Leasehold improvements	3,403,915	3,086,934
Software	<u>81,936</u>	<u>81,936</u>
	5,974,356	5,426,535
Accumulated depreciation and amortization	<u>(4,143,815)</u>	<u>(3,549,090)</u>
	<u>\$ 1,830,541</u>	<u>\$ 1,877,445</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>2023</u>	<u>2022</u>
Cash	\$ 4,872,001	\$ 4,890,082
Grants and contracts receivable	<u>701,784</u>	<u>2,869,870</u>
	<u>\$ 5,573,785</u>	<u>\$ 7,759,952</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 School applied for forgiveness of the PPP Loan with respect to covered expenses and on July 27, 2021, the PPP Loan was forgiven by the SBA. 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, 2023 and 2022

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, 2023 and 2022.

8. Donated Goods

Donated goods are recorded at their fair value when received. The School received curriculum and reading supplies for the year ended June 30, 2023 and new computers for the year ended June 30, 2022, at no charge. The value of these goods meets the criteria for recognition in the financial statements and were recorded at fair value of \$27,276 and \$99,994 for the years ended June 30, 2023 and 2022. Fair value is estimated using market value of similar goods available for purchase by the School. The curriculum and reading supplies and computers will be used for program services, and the value of these donated goods are included in supplies and materials in the accompanying statements 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 provides matching contributions up to 6% of the participant's annual compensation based on years of service. Employee match for the years ended June 30, 2023 and 2022 amounted to \$231,111 and \$219,421.

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, 2023 and 2022 approximately \$4,700,000 and \$4,715,000 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, 2023 and 2022, the School received approximately 87% and 68% 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, 2023 and 2022

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. Rent expense for the years ended June 30, 2023 and 2022 was \$1,344,066 and \$1,317,986.

The School entered into three separate operating leases for copier and printer equipment with various terminations dates through October 2025. Leased equipment expense for the years ended June 30, 2023 and 2022 was \$42,340 and 38,935.

The future minimum lease payments under the leases are as follows for the years ending June 30:

2024	\$	1,635,918
2025		1,631,013
2026		1,772,025
2027		1,765,705
2028		1,765,705
Thereafter		<u>3,531,408</u>
Total minimum lease payments		12,101,774
Present value discount		<u>(1,317,640)</u>
Present value of operating lease liability		10,784,134
Current portion		<u>(1,298,729)</u>
Operating lease liabilities, less current portion	\$	<u><u>9,485,405</u></u>

ROU assets consist of the following at June 30, 2023:

ROU assets - operating lease	\$	8,934,311
Accumulated amortization		<u>(963,171)</u>
	\$	<u><u>7,971,140</u></u>

Weighted average remaining lease term	6.97 years
Weighted average discount rate	3.35%

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.

* * * * *

Bedford Stuyvesant New Beginnings Charter School

Uniform Guidance
Schedules and Reports

June 30, 2023

Bedford Stuyvesant New Beginnings Charter School

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

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	\$ -	\$ 137,676
Pass-Through New York State Education Department: <i>Child Nutrition Cluster:</i>				
Fresh Fruit and Vegetable Program	10.582	Not Available	-	33,280
School Breakfast Program	10.553	Not available	-	116,923
National School Lunch Program	10.555	Not available	-	657,985
COVID-19 - Supply Chain Assistance Funds	10.555	Not available	-	30,190
Total Child Nutrition Cluster			-	838,378
Total U.S. Department of Agriculture			-	838,378
<u>U.S. Department of Education</u>				
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021234725	-	354,517
English Language Acquisition State Grants	84.365	0293234725	-	20,687
Higher Education Institutional Aid	84.031	0149234725	-	67,357
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147234725	-	43,158
Student Support and Academic Enrichment Program	84.424	0204234725	-	23,871
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP HCY II	84.425W	5218214725	-	86
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880214725	-	15,120
Total U.S. Department of Education			-	524,796
<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	-	31,600
Total Expenditures of Federal Awards			\$ -	\$ 1,532,450

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, 2023

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, 2023. 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, 2023, 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 30, 2023.

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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 30, 2023

**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, 2023. 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, 2023.

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 30, 2023

Bedford Stuyvesant New Beginnings Charter School

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

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:

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

10.582
10.553
10.555
10.555

Child Nutrition Cluster:
Fresh Fruit and Vegetable Program
School Breakfast Program
National School Lunch Program
COVID-19 - Supply Chain Assistance Funds

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

\$750,000

Auditee qualified as low-risk auditee?

X yes _____ no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2023.

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.

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 New Beginnings Charter School (the "School") as of and for the year ended June 30, 2023, 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
October 30, 2023