

Bronx Academy of Promise Charter School

Independent Auditor's Report and Financial Statements

June 30, 2019 and 2018



Bronx Academy of Promise Charter School

June 30, 2019 and 2018

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Independent Auditor's Report

Board of Trustees
Bronx Academy of Promise Charter School
Bronx, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Bronx Academy of Promise Charter School which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bronx Academy of Promise Charter School as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As described in *Note 2* to the financial statements, in 2019, Bronx Academy of Promise Charter School adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information within the statements of functional expenses 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 audits 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 also have issued our report dated October 25, 2019, on our consideration of Bronx Academy of Promise 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 Bronx Academy of Promise 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 Bronx Academy of Promise Charter School's internal control over financial reporting and compliance.

BKD, LLP

New York, New York
October 25, 2019

Bronx Academy of Promise Charter School
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash	\$ 9,954,759	\$ 9,081,204
Grants and contracts receivable	197,606	443,129
Prepaid expenses	155,005	217,201
Total current assets	10,307,370	9,741,534
Cash held in escrow	70,000	70,000
Property and equipment, net	134,300	160,743
Security deposits	690,815	690,815
Total assets	\$ 11,202,485	\$ 10,663,092
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 231,451	\$ 243,942
Accrued salaries and related liabilities	823,075	641,709
Deferred revenue	6,689	20,698
Total current liabilities	1,061,215	906,349
Deferred Rent	1,954,901	1,817,026
Total liabilities	3,016,116	2,723,375
Net Assets, Without Donor Restrictions	8,186,369	7,939,717
Total liabilities and net assets	\$ 11,202,485	\$ 10,663,092

Bronx Academy of Promise Charter School
Statements of Activities
Years Ended June 30, 2019 and 2018

	2019	2018
Revenues		
Resident student enrollment	\$ 9,392,249	\$ 8,843,418
Students with disabilities	805,359	702,949
Government grants and contracts	1,036,343	1,069,477
Contributions	36,705	31,537
Miscellaneous income	28,599	7,092
Total revenues	11,299,255	10,654,473
Expenses		
Program services		
Education	6,832,207	6,170,124
Special education	2,151,606	2,275,455
Total program services	8,983,813	8,445,579
Supporting services		
Management and general	2,044,924	1,747,237
Fund raising	23,866	17,384
Total supporting services	2,068,790	1,764,621
Total expenses	11,052,603	10,210,200
Change in Net Assets Without Donor Restrictions	246,652	444,273
Net Assets Without Donor Restrictions, Beginning of Year	7,939,717	7,495,444
Net Assets Without Donor Restrictions, End of Year	\$ 8,186,369	\$ 7,939,717

Bronx Academy of Promise Charter School
Statements of Functional Expenses
Years Ended June 30, 2019 and 2018

	** No. of Positions	2019					
		Program Services			Supporting Services		
		Education	Special Education	Total	Management and General	Fund Raising	Total
Salaries							
Administrative	12	\$ 310,186	\$ 91,417	\$ 401,603	\$ 793,311	\$ 13,664	\$ 1,208,578
Instructional	67	2,887,559	1,036,724	3,924,283	-	-	3,924,283
Noninstructional	12	280,580	56,312	336,892	285,859	-	622,751
Total salaries		3,478,325	1,184,453	4,662,778	1,079,170	13,664	5,755,612
Payroll taxes and employee benefits		919,978	313,274	1,233,252	285,429	3,614	1,522,295
Occupancy		1,019,197	347,061	1,366,258	316,211	4,004	1,686,473
Supplies and equipment		108,460	21,767	130,227	-	-	130,227
Repairs and maintenance		177,221	60,348	237,569	54,983	696	293,248
Professional fees		594,591	89,362	683,953	191,675	1,031	876,659
Insurance		38,146	12,990	51,136	11,834	150	63,120
Food service fees		277,310	55,656	332,966	-	-	332,966
Staff development		26,643	5,347	31,990	9,340	-	41,330
Technology services		19,700	6,708	26,408	6,113	77	32,598
Office expenses		109,255	37,204	146,459	63,324	429	210,212
Marketing/recruitment		12,178	-	12,178	-	-	12,178
Depreciation and amortization		51,203	17,436	68,639	15,885	201	84,725
Miscellaneous expenses		-	-	-	10,960	-	10,960
Total expenses		<u>\$ 6,832,207</u>	<u>\$ 2,151,606</u>	<u>\$ 8,983,813</u>	<u>\$ 2,044,924</u>	<u>\$ 23,866</u>	<u>\$ 11,052,603</u>

** Supplementary information

Bronx Academy of Promise Charter School
Statements of Functional Expenses (Continued)
Years Ended June 30, 2019 and 2018

	** No. of Positions	2018					
		Program Services			Supporting Services		
		Education	Special Education	Total	Management and General	Fund Raising	Total
Salaries							
Administrative	10	\$ 212,535	\$ 65,191	\$ 277,726	\$ 566,530	\$ 9,598	\$ 853,854
Instructional	65	2,681,759	1,116,016	3,797,775	-	-	3,797,775
Noninstructional	11	134,839	27,063	161,902	265,587	-	427,489
Total salaries		3,029,133	1,208,270	4,237,403	832,117	9,598	5,079,118
Payroll taxes and employee benefits		774,663	309,000	1,083,663	212,803	2,455	1,298,921
Occupancy		948,452	378,322	1,326,774	260,543	3,005	1,590,322
Supplies and equipment		158,800	31,871	190,671	-	-	190,671
Repairs and maintenance		176,454	70,384	246,838	48,473	559	295,870
Professional fees		536,329	118,360	654,689	244,468	940	900,097
Insurance		35,791	14,276	50,067	9,832	113	60,012
Food service fees		257,838	51,749	309,587	-	-	309,587
Staff development		16,269	3,265	19,534	20,066	-	39,600
Technology services		18,741	7,475	26,216	5,149	59	31,424
Office expenses		107,262	42,785	150,047	77,929	340	228,316
Marketing/recruitment		10,870	-	10,870	-	-	10,870
Depreciation and amortization		99,522	39,698	139,220	27,341	315	166,876
Miscellaneous expenses		-	-	-	8,516	-	8,516
Total expenses		<u>\$ 6,170,124</u>	<u>\$ 2,275,455</u>	<u>\$ 8,445,579</u>	<u>\$ 1,747,237</u>	<u>\$ 17,384</u>	<u>\$ 10,210,200</u>

** Supplementary Information

Bronx Academy of Promise Charter School
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ 246,652	\$ 444,273
Items not requiring operating cash flows		
Depreciation and amortization	84,725	166,876
Changes in		
Grants and contracts receivable	245,523	(77,389)
Prepaid expenses	62,196	(32,224)
Accounts payable and accrued expenses	(12,491)	55,591
Accrued salaries and related liabilities	181,366	239,346
Deferred revenue	(14,009)	(10,947)
Deferred rent	137,875	211,998
	<u>931,837</u>	<u>997,524</u>
Net cash provided by operating activities		
Investing Activities		
Purchase of property and equipment	(58,282)	(101,048)
	<u>(58,282)</u>	<u>(101,048)</u>
Net cash used in investing activities		
Net Increase in Cash	873,555	896,476
Cash, Beginning of Year	<u>9,081,204</u>	<u>8,184,728</u>
Cash, End of Year	<u>\$ 9,954,759</u>	<u>\$ 9,081,204</u>

Bronx Academy of Promise Charter School

Notes to Financial Statements

June 30, 2019 and 2018

Note 1: Nature of Organization and Summary of Significant Accounting Policies

Nature of Operations

Bronx Academy of Promise Charter School (the School) is an educational corporation that operates as a charter school in the borough of Bronx, New York City. The School received a charter from the Board of Regents and the Board of Trustees of the University of the State of New York, for and on behalf of the State Education Department effective through June 30, 2023. The charter is for a period of five years and is renewable upon expiration.

The School was organized to increase learning opportunities for students through innovative educational programs and to enable parents to be more involved in their children's education. In fiscal years 2019 and 2018, the School operated classes for 595 students in grades K-8.

The School is supported primarily by state and local per-pupil operating revenues and government grants and contracts.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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. Actual results could differ from those estimates.

Income Taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the School is subject to federal income tax on any unrelated business taxable income. The School files tax returns in the U.S. federal jurisdiction.

Cash

As of June 30, 2019 and 2018, the School's cash accounts exceeded federally insured limits by approximately \$9.5 million and \$8.6 million, respectively.

Cash Held in Escrow

The School established an escrow account of \$70,000 as of June 30, 2019 and 2018, which is held aside for contingency purposes as required by the New York City Department of Education.

Receivables

Receivables are recorded when services are rendered and are stated at amount billed. Receivables are presented net of allowances for doubtful accounts. Receivables are ordinarily due upon issuance of the invoice. Receivables past due more than 30 days are considered delinquent. The allowances are based on management's evaluation of the collectability of the related accounts.

Bronx Academy of Promise Charter School

Notes to Financial Statements

June 30, 2019 and 2018

Allowance for Doubtful Accounts

The School determines whether an allowance for doubtful accounts should be provided for receivables. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. The School has determined that no allowance for uncollectible accounts for grant and contracts receivable is necessary as of June 30, 2019 and 2018.

Property and Equipment

Property and equipment acquisitions over \$3,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture, fixtures and equipment	3 - 5 years
Leasehold improvements	10 - 15 years

Long-Lived Asset Impairment

The School evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2019 and 2018.

Deferred Revenue

Deferred revenue is recorded when payments received by the New York City Department of Education exceed the per-pupil revenue.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Bronx Academy of Promise Charter School

Notes to Financial Statements

June 30, 2019 and 2018

State and Local Per-Pupil Revenues

Revenues from the state and local governments resulting from the School's charter status and based on the number of students enrolled are recorded when services are performed in accordance with the charter agreement. Federal and state funds are recorded by the School when expenditures are incurred and billed.

Government Grants and Contracts

Revenues from government grants and contracts to which the School is entitled are recognized mostly on student enrollment. Some grants are provided for specific educational endeavors which are not based on student enrollment and are recorded when related expenditures are incurred by the School.

Contributions

Contributions are provided to the School either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on a future and uncertain event	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor imposed condition is substantially met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

Bronx Academy of Promise Charter School

Notes to Financial Statements

June 30, 2019 and 2018

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on estimates of time and effort and other methods.

Operating Leases

Operating lease payments are charged to rental expense. Operating lease expense has been recorded on the straight-line basis over the life of the lease. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense incurred.

Revision

A certain immaterial revision has been made to the 2018 financial statements for the long-term classification of cash held in escrow on the statements of financial position. This revision did not have a significant impact on the financial statement line item impacted.

Note 2: Change in Accounting Principle

In 2019, the School adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes by financial statement area is as follows:

Statements of Financial Position

- The statements of financial position distinguish between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

Bronx Academy of Promise Charter School

Notes to Financial Statements

June 30, 2019 and 2018

Statements of Activities

- Expenses are reported by both nature and function in one location.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the statements of financial position.

This change had no impact on previously reported total change in net assets.

Note 3: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019, comprise of the following:

Cash	\$	9,954,759
Grants and contracts receivable		<u>197,606</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>10,152,365</u></u>

The School manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The School monitors liquidity and cash flows on an ongoing basis to ensure an appropriate amount of cash and cash equivalents are available to meet current expenditure needs.

Note 4: Property and Equipment

	<u>2019</u>	<u>2018</u>
Furniture, fixtures and equipment	\$ 854,852	\$ 833,065
Leasehold improvements	<u>319,235</u>	<u>282,739</u>
	1,174,087	1,115,804
Accumulated depreciation	<u>(1,039,787)</u>	<u>(955,061)</u>
	<u><u>\$ 134,300</u></u>	<u><u>\$ 160,743</u></u>

Bronx Academy of Promise Charter School

Notes to Financial Statements

June 30, 2019 and 2018

Note 5: Lease Commitment

The School entered into a lease of a school building located at 1349 Inwood Avenue, Bronx, NY that will expire on July 31, 2028. Included in the agreement was a requirement for the landlord to build out a space adjacent to the school building. Since it was not completed, the School received a rent reduction of \$151,181 and \$163,770 in 2019 and 2018, respectively. Rent expense is recognized on a straight-line basis and was \$1,520,163 and \$1,537,034 for the years ended June 30, 2019 and 2018, respectively. A security deposit of \$500,000 was paid for the facility at 1349 Inwood Avenue, and an additional security deposit of \$150,000 was paid for the space adjacent to the School building.

The future minimum lease payments as of June 30, 2019 are:

2020	\$ 1,429,473
2021	1,476,854
2022	1,525,659
2023	1,575,925
2024	1,627,710
Thereafter	<u>7,215,031</u>
	<u>\$ 14,850,652</u>

Note 6: Pensions

The School adopted a 403(b) profit sharing plan (the Plan) which covers most of its employees. Employees are eligible to enroll in the Plan on the first day of the plan year and employees who have completed at least one full year of service are also eligible for employer contribution. The Plan provided for the School to contribute 6 percent of an eligible employee's salary. For the years ended June 30, 2019 and 2018, pension expense was \$194,373 and \$132,370, respectively.

Note 7: Contingencies and Concentrations

Government Grants and Contracts

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.

A significant portion of the School's operating revenue is paid by New York State Department of Education. In addition, all grants and contracts receivable due at year-end were all due from the New York State Department of Education.

Bronx Academy of Promise Charter School

Notes to Financial Statements

June 30, 2019 and 2018

General Litigation

The School is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the School. Events could occur that would change this estimate materially in the near term.

Note 8: Subsequent Events

Subsequent events have been evaluated through October 25, 2019, which is the date the financial statements were available to be issued.

Note 9: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2018 and any interim periods within annual reporting periods that begin after December 15, 2019. The School is in the process of evaluating the effect the amendment will have on the financial statements.

FASB Issues New Lease Accounting Standard

FASB issued ASU 2016-02, *Leases* (Topic 842), the long-awaited new standard on lease accounting. FASB has issued various ASUs since that date related to (Topic 842) as well seeking to clarify guidance and provide more transition relief in certain areas.

Under the new ASU, lessees will recognize lease assets and liabilities on their balance sheet for all leases with terms of more than 12 months. The new lessee accounting model retains two types of leases, and is consistent with the lessee accounting model under existing GAAP. One type of lease (finance leases) will be accounted for in substantially the same manner as capital leases are accounted for today. The other type of lease (operating leases) will be accounted for (both in the income statement and statement of cash flows) in a manner consistent with today's operating leases. Lessor accounting under the new standard is fundamentally consistent with existing GAAP.

Bronx Academy of Promise Charter School

Notes to Financial Statements

June 30, 2019 and 2018

Lessees and lessors would be required to provide additional qualitative and quantitative disclosures to help financial statement users assess the amount, timing and uncertainty of cash flows arising from leases. These disclosures are intended to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an organization's leasing activities.

Effective Dates

- For public business entities, not-for-profit entities that have issued, or is a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market, and employee benefit plans that file financial statements within the U.S. Securities and Exchange Commission, the final leases standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.
- All other entities are currently* required to adopt (Topic 842) for fiscal years beginning after December 15, 2019 – that is fiscal year 2020 for calendar year-end entities and fiscal year 2021 for those entities with other fiscal years. Early application is permitted.
 - * A tentative board decision was reached by FASB at its July 17, 2019 meeting to delay the effective date of (Topic 842) by one year for these entities (*i.e.*, fiscal year beginning after December 15, 2020). Issuance of a final ASU related to this decision is expected later in 2019.

**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 Auditor's Report

Board of Trustees
Bronx Academy of Promise Charter School
Bronx, New York

We have audited, 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, the financial statements of Bronx Academy of Promise Charter School, which comprise the statement of financial position as of June 30, 2019 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 25, 2019. Our report included an “Emphasis of Matter” paragraph regarding a change in accounting principles.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bronx Academy of Promise Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

BKD, LLP

New York, New York
October 25, 2019