

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Independent Auditor s Report and Financial Statements (Revised)
June 30, 2020



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Storefront Academy Charter School dba Storefront Academy Charter School South Bronx as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter s

As described in **Note 1** the financial statements have been revised to correct a misstatement. Our opinion is not modified with respect to this matter.

As described in **Note 2** to the financial statements, in 2020, Storefront Academy Charter School dba Storefront Academy Charter School South Bronx adopted Accounting Standards Updated (ASU) 2016-18, **Statement of Cash Flows (Topic 230): Restricted Cash**. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information within the statement of functional expenses and the schedules listed in the table of contents are presented for purposes of additional analysis and are 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 also have issued our report dated December 14, 2020, on our consideration of Storefront Academy Charter School dba Storefront Academy Charter School South Bronx ¶ 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 Storefront Academy Charter School dba Storefront Academy Charter School South Bronx ¶ internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** considering Storefront Academy Charter School dba Storefront Academy Charter School South Bronx ¶ internal control over financial reporting and compliance.



Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Statement of Financial Position
June 30, 2020

Assets

Current Assets	
Cash	\$ 1,543,162
Contributions and government grants receivable	457,726
Prepaid expenses and other assets	<u>96,714</u>
Total current assets	2,097,602
Restricted cash	75,109
Property and equipment, net	<u>585,681</u>
Total assets	<u><u>\$ 2,758,392</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable and accrued expenses	\$ 159,965
Accrued salaries and related liabilities	456,061
Notes payable	999,470
Legal settlement	183,030
Deferred revenue	<u>17,122</u>
Total current liabilities	1,815,648
Noncurrent Liabilities	
Deferred rent expense	341,929
Notes payable	<u>602,574</u>
Total liabilities	2,760,151
Net Assets (Deficit) Without Donor Restrictions	<u>(1,759)</u>
Total liabilities and net assets	<u><u>\$ 2,758,392</u></u>

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Statement of Cash Flows (Revised)
Year Ended June 30, 2020

Operating Activities		
Change in net assets	\$	548,211(51)
Items not requiring (providing) operating cash flows		
Depreciation		140,460

City of New York, Office of the Comptroller of the City, 110 West Street, New York, NY 10038-0001

Storefront Academy Charter School
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Notes to Financial Statements
June 30, 2020

Cash Reserves

The School maintains cash in an account, pursuant to its Charter Agreement, to pay off expenses in the event of dissolution of the School.

Grants and Contracts Receivable

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. Receivables are recorded when the revenue is earned. Bad debt is charged if the receivable is determined to be uncollectible based on periodic review by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of June 30, 2020, the School had no allowance for doubtful accounts.

Property and Equipment

Property and equipment acquisitions over \$1,000 are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

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

Leasehold improvements	10 years
Furniture and fixtures	5 7 years
Equipment	5 years
Computers	3 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 year ended June 30, 2020.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

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Notes to Financial Statements
June 30, 2020

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June 30, 2020

Note 6: Academic and Services Agreement

The School entered into an Academic and Business Service Agreement with Storefront Academy Harlem (SAH), an unrelated not-for-profit organization. The agreement provides academic, management and other administrative support services to the School. Pursuant to the terms of the agreement, the School shall pay SAH a service fee equivalent to 15 percent of the approved basic per-pupil operating revenues for the current year. In addition to the service fee, the School will reimburse SAH for a portion of the salaries and associated benefits of SAH personnel utilized by the School.

In March 2018, the School began leasing space located at Jackson Avenue from SAH. In May 2019, the lease was amended to include additional space. The lease is set to expire June 30, 2028. Rent expense for the year ended June 30, 2020 was \$811,270. Minimum amounts to be paid under the terms of the lease are as follows:

2021	\$ 777,303
2022	801,189
2023	821,220
2024	841,749
2025	862,797
Thereafter	<u>2,714,217</u>
Total	<u>\$ 6,818,475</u>

Additionally, in May 2019, the School agreed to a lease for SACSH with payment terms that began July 2019. The lease was amended in December 2019 to adjust the lease payments. The lease is set to expire June 30, 2022. Minimum amounts to be paid under the terms of the lease are as follows:

2021	\$ 300,000
2022	<u>350,000</u>
	<u>\$ 650,000</u>

Note 7: Notes Payable

In February 2018, SAH extended a \$275,000 unsecured, interest-free loan to the School with repayment due on June 30, 2019. In April 2018, the loan was amended to increase the note by an additional \$650,000 and to include interest at 3 percent on amounts outstanding. In addition, the loan repayment terms were amended for repayments to begin on January 1, 2019.

Storefront Academy Charter School
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Notes to Financial Statements
June 30, 2020

In May 2019, the loan was amended for a second time to combine the amounts advanced of \$650,000 and the accrued interest outstanding as of that date of \$18,380, into one new loan payable of \$668,380. Interest will be charged at 3 percent on amounts outstanding. The School is making monthly repayments of principal and interest amount of approximately \$11,600. The note is set to mature with a balloon payment in February 2021. The amount outstanding at June 30, 2020 was \$526,222.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act. On April 7, 2020, the School received a loan in the amount of \$1,075,822 pursuant to the Paycheck Protection Program. The School has elected to account for the funding as a loan in accordance with ACS Topic 470, Debt. The loan is due two years from the date of the first

Supplementary Schedules

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Schedule of Activities by Location
Year Ended June 30, 2020

Revenues and Other Support

Per-pupil operating revenue - resident student enrollment	\$ 656,094	\$ 5,375,124	\$ 6,031,218
Per-pupil operating revenue - students with disabilities	154,773		

Storefront Academy Charter School
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Schedule of Functional Expenses South Bronx
Year Ended June 30, 2020

**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
Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Bronx, New York

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 Storefront Academy Charter School dba Storefront Academy Charter School South Bronx, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2020. Our report contains 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 Storefront Academy Charter School dba Storefront Academy Charter School South Bronx'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 Storefront Academy Charter School dba Storefront Academy Charter School South Bronx's

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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001, and 2020-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Storefront Academy Charter School dba Storefront Academy Charter School South Bronx ¶ 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and responses as item 2020-003.

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx ¶ Response to Findings

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx ¶ response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Storefront Academy Charter School dba Storefront Academy Charter School South Bronx ¶ response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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**Storefront Academy Charter School
 dba Storefront Academy Charter School South Bronx
 Schedule of Findings and Responses
 Year Ended June 30, 2020**

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding
2020-001	<p>Internal Controls Over Credit Card Use</p> <p>Criteria or Specific Requirement</p> <p>The School should establish policies surrounding the use of credit cards to minimize the ability for abuse.</p> <p>Condition</p> <p>Currently the School is not requiring authorization be obtained prior to the credit card being used. In addition, not all the required receipts from credit card purchases are being provided with explanations for business purpose.</p> <p>Effect</p> <p>Anyone provided access to the credit card has the ability to misappropriate the School's assets.</p> <p>Cause</p> <p>The School's policy requires credit card backup for charges above \$25. However, there were charges above this amount which had no</p>

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