

BRILLA COLLEGE PREPARATORY
CHARTER SCHOOL

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2019

(With Comparative Totals for 2018)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Brilla College Preparatory Charter Schools

Report on the Financial Statements

We have audited the accompanying financial statements of Brilla College Preparatory Charter Schools, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 Brilla College Preparatory Charter Schools as of June 30, 2019, 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.

Report on Summarized Comparative Information

We have previously audited Brilla College Preparatory Charter Schools' June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2018. In our opinion, the summarized comparative information presented herein as of June 30, 2018 and for the period from August 29, 2016 (date of inception) to June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019 on our consideration of Brilla College Preparatory Charter Schools' 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 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 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 Brilla College Preparatory Charter Schools' internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 30, 2019

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(With Comparative Totals for 2018)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 4,948,769	\$ 4,298,063
Grants and other receivables	439,083	498,659
Prepaid expenses and other current assets	<u>309,079</u>	<u>162,408</u>
TOTAL CURRENT ASSETS	5,696,931	4,959,130
<u>PROPERTY AND EQUIPMENT, net</u>	1,025,637	1,182,611
<u>OTHER ASSETS</u>		
Security deposits	414,178	414,178
Cash in escrow	<u>150,259</u>	<u>150,152</u>
	<u>564,437</u>	<u>564,330</u>
TOTAL ASSETS	<u>\$ 7,287,005</u>	<u>\$ 6,706,071</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current portion of long-term debt	\$ 85,868	\$ 80,880
Accounts payable and accrued expenses	530,135	542,279
Accrued payroll and benefits	509,088	391,250
Deferred revenue	<u>31,705</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	1,156,796	1,014,409
<u>OTHER LIABILITIES</u>		
Deferred lease liability	76,601	-
Long-term debt, net of unamortized debt issuance costs of \$9,433 and \$13,476 at June 30, 2019 and 2018, respectively	<u>121,660</u>	<u>203,181</u>
	<u>198,261</u>	<u>203,181</u>
TOTAL LIABILITIES	1,355,057	1,217,590
<u>NET ASSETS - without donor restriction</u>	<u>5,931,948</u>	<u>5,488,481</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,287,005</u>	<u>\$ 6,706,071</u>

The accompanying notes are an integral part of the financial statements.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

JUNE 30, 2019

(With Comparative Totals for 2018)

	Year Ended June 30, 2019	Period from August 29, 2016 (date of inception) to June 30, 2018
	<u>2019</u>	<u>2018</u>
Revenue, gains and other support:		
Public school district:		
Resident student enrollment	\$ 11,429,615	\$ 9,495,436
Students with disabilities	1,150,906	929,286
Grants and contracts:		
State and local	58,440	284,771
Federal - Title and IDEA	655,199	560,533
Federal - other	437,734	533,012
NYC DOE Rental Assistance	<u>2,523,191</u>	<u>1,700,000</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	16,255,085	13,503,038
Expenses:		
Program:		
Regular education	9,677,905	7,344,378
Special education	<u>2,806,188</u>	<u>1,868,225</u>
Total program services	12,484,093	9,212,603
Management and general	<u>3,503,458</u>	<u>2,833,207</u>
TOTAL OPERATING EXPENSES	<u>15,987,551</u>	<u>12,045,810</u>
SURPLUS FROM SCHOOL OPERATIONS	267,534	1,457,228
Support and other revenue:		
Contributions		
Foundations	52,000	800,000
Individuals	27,674	47,549
Fundraising	7,433	10,360
Interest income	55,691	692
Miscellaneous income	<u>33,135</u>	<u>92,432</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>175,933</u>	<u>951,033</u>
CHANGE IN NET ASSETS	443,467	2,408,261
Net assets without donor restriction at beginning of year	5,488,481	-
Transfer of net assets from merger of Brilla College Preparatory Charter School effective July 1, 2017	<u>-</u>	<u>3,080,220</u>
NET ASSETS WITHOUT DONOR RESTRICTION AT END OF YEAR	<u>\$ 5,931,948</u>	<u>\$ 5,488,481</u>

The accompanying notes are an integral part of the financial statements.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES

JUNE 30, 2019
(With Comparative Totals for 2018)

	Year ended June 30,					Total	Period from August 29, 2016 (date of inception) to June 30, 2018
	2019						
	No. of Positions	Program Services		Sub-total	Supporting Services		
Regular Education		Special Education	Management and general				
Personnel services costs:							
Administrative staff personnel	29	\$ 1,303,330	\$ 332,856	\$ 1,636,186	\$ 689,376	\$ 2,325,562	\$ 1,746,184
Instructional personnel	72	3,422,942	1,129,896	4,552,838	-	4,552,838	3,421,195
Total salaries and wages	101	4,726,272	1,462,752	6,189,024	689,376	6,878,400	5,167,379
Fringe benefits and payroll taxes		826,488	257,398	1,083,886	117,611	1,201,497	824,108
Retirement benefits		105,001	32,655	137,656	15,027	152,683	112,696
Legal services		-	-	-	32,633	32,633	57,809
Accounting/Audit services		-	-	-	33,000	33,000	31,600
Management company fees		-	-	-	1,412,013	1,412,013	1,188,373
Other Purchased/Professional/Consulting Services		689,622	189,468	879,090	213,631	1,092,721	905,472
Building rent		1,745,286	450,135	2,195,421	612,380	2,807,801	1,480,000
Utilities		-	-	-	-	-	94,411
Repairs and maintenance		2,261	601	2,862	793	3,655	101,912
Insurance expense		49,006	12,652	61,658	17,194	78,852	69,809
Supplies/Materials		333,406	84,886	418,292	-	418,292	413,997
Equipment/Furnishings		16,966	4,424	21,390	5,953	27,343	21,455
Leased equipment		31,467	8,195	39,662	11,040	50,702	42,966
Staff development		136,757	36,233	172,990	47,983	220,973	146,289
Marketing/Recruitment		108,708	27,647	136,355	19,569	155,924	81,600
Technology		103,169	26,520	129,689	36,202	165,891	131,567
Food services		1,850	502	2,352	-	2,352	7,103
Student services		309,872	79,479	389,351	-	389,351	345,813
Office expense		30,419	7,959	38,378	63,278	101,656	88,558
Travel and conferences		31,237	8,029	39,266	10,961	50,227	45,277
Depreciation and amortization		397,850	106,212	504,062	139,543	643,605	632,943
Other		32,268	10,441	42,709	25,271	67,980	54,673
		\$ 9,677,905	\$ 2,806,188	\$ 12,484,093	\$ 3,503,458	\$ 15,987,551	\$ 12,045,810

The accompanying notes are an integral part of the financial statements.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

JUNE 30, 2019

(With Comparative Totals for 2018)

	Year ended June 30, 2019	Period from August 29, 2016 (date of inception) to June 30, 2018
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 443,467	\$ 2,408,261
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	643,605	632,943
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	59,576	(498,659)
Prepaid expenses and other current assets	(146,671)	(162,408)
Security deposits	-	(414,178)
Accounts payable and accrued expenses	(12,144)	542,279
Accrued payroll and benefits	117,838	391,250
Deferred revenue	31,705	-
Deferred lease liability	76,601	-
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>1,213,977</u>	<u>2,899,488</u>
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Transfer of net assets from merger of Brilla College Preparatory Charter School effective July 1, 2017	-	3,080,220
Purchases of property and equipment	(482,588)	(1,815,554)
Change in cash in escrow	(107)	(150,152)
NET CASH (USED FOR) PROVIDED FROM INVESTING ACTIVITIES	<u>(482,695)</u>	<u>1,114,514</u>
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
(Repayments) borrowings on long-term debt, net	(80,576)	284,061
NET CASH (USED FOR) PROVIDED FROM FINANCING ACTIVITIES	<u>(80,576)</u>	<u>284,061</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	650,706	4,298,063
Cash and cash equivalents at beginning of year	4,298,063	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,948,769</u>	<u>\$ 4,298,063</u>

The accompanying notes are an integral part of the financial statements.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Brilla College Preparatory Charter Schools (the “Charter School”) is an educational corporation that operates as a charter school in Bronx, New York.

In August 2016, the Charter School’s Board of Trustees signed a charter agreement with the Board of Regents of the State University of New York. The charter agreement was for a school named Brilla College Preparatory Charter School at Highbridge (“Highbridge”). The charter agreement was for five years. In May 2017, the Board of Regents of the State University of New York approved an order of consolidation and extension of the provisional charter which consolidated Brilla College Preparatory Charter School into Highbridge and amended the surviving education corporation name to Brilla College Preparatory Charter Schools, effective July 1, 2017. In conjunction with this merger, effective July 1, 2017, the original Brilla College Preparatory Charter School was dissolved. The Charter currently operates two charter schools, Brilla College Preparatory Charter School and Brilla College Preparatory Charter School Veritas.

The Charter School was established to provide its students in grades K-8 with traditional academic skills to develop their cognitive, social, emotional, and physical excellence.

In October 2018, the SUNY Board of Trustees’ Charter School Committee approved the initial five year charters for Brilla Caritas Charter School and Brilla Pax Charter School which will open in August of 2020.

Classification of net assets

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

These classes of net assets are defined as follows:

Net Assets Without Donor Restrictions

The net assets over which the Board of Trustees has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current net assets without donor restrictions for specific purposes, projects or investment.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had no net assets with donor restrictions at June 30, 2019 or 2018.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Charter School when qualifying expenditures are incurred and billable or the requirements of the grant are met.

Contributions are recognized as revenue in the year the pledge is received and documented.

Contributions

Contributions received are recorded in the appropriate class of net assets depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as revenue without donor restrictions.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash and cash equivalents

Cash and certificates of deposit balances are maintained at financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. The Charter School considers all highly liquid investments with a maturity of six months or less when purchased to be cash equivalents. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

Cash in escrow

The Charter School maintained cash in an escrow account in accordance with the terms of its Charter agreement, to pay off expenses in the event of dissolution of the Charter School. The amount restricted was \$150,259 and \$150,152 as of June 30, 2019 and 2018, respectively.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2019 and 2018.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to seven years. Leasehold improvements are amortized over the term of the lease.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Cont'd

Contributed services

The Charter School receives contributed services from volunteers to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed. The Charter School received transportation services, food supplies and services, speech and occupational therapy, paraprofessionals, nursing services, counseling services and metro cards for student transportation from the local district.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution. There were no in-kind contributions received for year ended June 30, 2019 and the period August 29, 2016 (date of inception) to June 30, 2018.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income. The Charter School has filed for and received income tax exemptions in the various jurisdictions where it is required to do so.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2017 through June 30, 2019 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$155,900 and \$81,600 for the year ended June 30, 2019 and the period from August 29, 2016 (date of inception) to June 30, 2018, respectively.

Deferred lease liability

The Charter School leases its facilities. The leases contain significant pre-determined fixed escalations of the base rent. In accordance with GAAP, the Charter School recognizes the related rent expense on a straight-line basis and records the difference between the recognized rental expense and the amounts paid under the lease as a deferred lease liability.

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

Security deposits

Security deposits are made up of payments to third parties in connection with facility lease agreements.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparatives for the period ended June 30, 2018

The financial statements include certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Charter School's financial statements for the period ended June 30, 2018, from which the summarized information was derived.

Change in accounting principle

During August 2016 FASB issued Accounting Standards Update No. 2016-14 "*Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*". The main provisions of ASU 2016-14 require a Not-For-Profit (NFP) to:

- 1) Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than three classes. That is, an NFP will report amounts for *net assets with donor restrictions* and *net assets without donor restrictions*, as well as the currently required amount for total net assets.
- 2) Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted in item 1) rather than that of the required three classes as in prior years. An NFP would continue to report the currently required amount of the change in total net assets for the period.
- 3) Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
- 4) Provide enhanced disclosures about:
 - a) Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
 - b) Qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.
 - c) Quantitative information, and additional qualitative information, that communicates the availability of an NFP's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by Board of Trustee decisions.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

- d) Amounts of expenses by both their natural classification and their functional classification. That analysis of expenses is to be provided in one location.
- e) Method(s) used to allocate costs among program and support functions

ASU 2016-14 is effective for financial statements beginning after December 15, 2017 and was applied retrospectively except for disclosures regarding liquidity and availability of resources, which are presented only for the current year. There was no effect on total assets or changes in net assets. The Charter School has adopted the amendments effective July 1, 2018.

New accounting pronouncements

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. For nonpublic entities, the guidance in this new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School’s financial position or results of operations.

Leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the guidance in this new standard is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. There has been an exposure draft proposed that would delay this ASU from the initial timetable and, if passed, will take effect for fiscal years beginning after December 15, 2020 and for interim periods with fiscal years beginning after December 15, 2021. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School’s financial position or results of operations.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 30, 2019, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of teaching, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash and shows positive cash generated by operations for fiscal year 2019.

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

	<u>Amount</u>
Cash	\$ 4,948,769
Grants and other receivables	<u>439,083</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 5,387,852</u>

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 453,464	\$ 368,845
Computer equipment and software	740,802	604,112
Office equipment	371,633	273,252
Leasehold improvements	<u>2,121,302</u>	<u>1,958,405</u>
	3,687,201	3,204,614
Less accumulated depreciation and amortization	<u>2,661,564</u>	<u>2,022,003</u>
	<u>\$ 1,025,637</u>	<u>\$ 1,182,611</u>

Total depreciation and amortization expense was approximately \$643,600 and \$632,900 for the year ended June 30, 2019 and the period from August 29, 2016 (date of inception) to June 30, 2018, respectively.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE D: COMMITMENT

The Charter School has an Academic and Business Services Agreement with Seton Education Partners, Inc. (Seton). The agreement began on July 1, 2017 and renews annually on June 30. Seton will be responsible and accountable to the Board for the administration, operations, education, and performance of the Charter School in accordance with the Charter and the Charter School's budget.

The Charter School will pay Seton a percentage of the total enrollment of students multiplied by the approved per pupil operating expenses, payable six times a year. The fee ranges from ten percent for the first three years of a school and then twelve percent thereafter. The fee for the year ended June 30, 2019 and the period from August 29, 2016 (date of inception) to June 30, 2018 was approximately \$1,412,000 and \$1,188,000, respectively. There was approximately \$5,800 and \$15,000 due to Seton at June 30, 2019 and 2018, respectively. There was also approximately \$21,500 and \$54,000 due from Seton, at June 30, 2019 and 2018, respectively.

NOTE E: SCHOOL FACILITIES

The Charter School currently subleases all of its facilities from Seton, totaling approximately 71,347 square feet of classrooms and office facilities along with 1,900 square feet of play-yard at June 30, 2019.

The Charter School subleases a property at East 144th Street under a non-cancelable lease agreement expiring in June 2023. The current monthly payment is \$124,500 and will increase each year of the lease term by the agreed upon amount as described in the lease.

In November 2016, the Charter School signed an additional sublease for the middle school located on Courtlandt Avenue and made an additional security deposit of \$100,000. The lease was to begin in August 2017 and go through June 2036 with two optional 5 year renewal options. In July 2018, the Charter School revised this agreement. The lease began on July 1, 2018. The current monthly payment is \$49,250 and will increase each year of the lease term by the agreed upon amount as described in the lease. The Charter School had an additional sublease for additional space at this location through July 2019 for \$54,000 per month.

The Charter School also signed a sublease agreement for a property located on College Avenue which commences in July 2019 and expires in June 2020 for \$107,500 per month.

The Charter School signed a rental agreement for property located on East 156th Street in which substantial improvements must be made by the lessor before the commencement date and made a security deposit of \$300,000. If improvements have not been met, the Charter School has the right to terminate the lease. If the lessor does fulfill the obligation, commencement shall be September 2020 and expire in June 2050. The payment will increase each year of the lease by the agreed upon amount as described in the lease. Since the lease is on a contingency and the Charter School has the right to terminate, the lease is not included in the future payments.

Rent expense was \$2,807,800 and \$1,480,000 for the year ended June 30, 2019 and the period from August 29, 2016 (date of inception) to June 30, 2018, respectively.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE E: SCHOOL FACILITY, Cont'd

The future minimum payments on these agreements for base rent are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	3,968,600
2021	2,751,300
2022	2,826,000
2023	2,902,700
2024	1,291,000
Thereafter	<u>18,871,000</u>
	<u>\$ 32,610,600</u>

NOTE F: OPERATING LEASES

The Charter School leases office equipment under non-cancelable lease agreements expiring at various dates through October 2022. The approximate future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 45,300
2021	44,800
2022	39,600
2023	<u>4,800</u>
	<u>\$ 134,500</u>

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE G: LONG-TERM DEBT

The Charter School has a note payable with an unrelated party. Interest only payments were made through December 1, 2015 when principal repayments began. Monthly payments are \$8,044, including interest at 6% for the term of the loan, which is 6 years, through November 2021. As of June 30, 2019 and 2018, the note had an outstanding principal balance of \$216,961 and \$297,537, respectively. On the accompanying statement of financial position, this amount is presented net of unamortized debt issuance costs of \$9,433 and \$13,476 at June 30, 2019 and 2018, respectively. The note payable has certain financial and reporting covenants. At June 30, 2019, the Charter School was in compliance with these covenants.

The approximate minimum payments based on the repayment terms are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 85,900
2021	91,200
2022	<u>39,600</u>
	<u>\$ 216,700</u>

NOTE H: CONCENTRATIONS

At June 30, 2019 and 2018, approximately 5% and 45%, respectively, of grants and other receivables were due from New York State agencies.

At June 30, 2019 and 2018, approximately 90% and 44%, respectively, of grants and other receivables were due from Federal agencies.

During the year ended June 30, 2019 and the period August 29, 2016 (date of inception) to June 30, 2018, approximately 77% and 72% of total operating revenue and support came from per-pupil funding provided by New York State, respectively. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

During the year ended June 30, 2019 and the period August 29, 2016 (date of inception) to June 30, 2018, approximately 15% and 12% of total operating revenue and support came from rental assistance provided by New York City Department of Education, respectively.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2019

(With Comparative Totals for 2018)

NOTE I: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering all regular employees. The Charter School may make a discretionary contribution to the plan. In 2018 the board approved the Charter School to make up to a 3% match of employee contributions. The Charter School contributed approximately \$152,700 and \$112,700 to the Plan for the year ended June 30, 2019 and the period August 29, 2016 (date of inception) to June 30, 2018, respectively.

NOTE J: CONTINGENCIES

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such 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.

NOTE K: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

NOTE L: NET ASSETS

Net assets without donor restrictions are as follows:

	June 30,	
	<u>2019</u>	<u>2018</u>
Property and equipment, net of debt	\$ 818,109	\$ 898,550
Undesignated	<u>5,113,839</u>	<u>4,589,931</u>
	<u>\$ 5,931,948</u>	<u>\$ 5,488,481</u>

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Brilla College Preparatory Charter Schools

We have audited the financial statements of Brilla College Preparatory Charter Schools for the year ended June 30, 2019, and have issued our reports thereon dated October 30, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter 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 for the year ended June 30, 2019, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 30, 2019

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2019

	<u>Brilla College Preparatory</u>	<u>Veritas</u>	<u>Total</u>
Revenue, gains and other support:			
Public school district			
Resident student enrollment	\$ 8,927,154	\$ 2,502,461	\$ 11,429,615
Students with disabilities	868,924	281,982	1,150,906
Grants and contracts:			
State and local	45,037	13,403	58,440
Federal - Title and IDEA	523,166	132,033	655,199
Federal - other	90,952	346,782	437,734
NYC DOE Rental Assistance	<u>1,877,191</u>	<u>646,000</u>	<u>2,523,191</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	12,332,424	3,922,661	16,255,085
Expenses:			
Program:			
Regular education	7,376,049	2,301,856	9,677,905
Special education	<u>2,210,872</u>	<u>595,316</u>	<u>2,806,188</u>
TOTAL PROGRAM EXPENSES	9,586,921	2,897,172	12,484,093
Management and general	<u>2,737,442</u>	<u>766,016</u>	<u>3,503,458</u>
TOTAL OPERATING EXPENSES	<u>12,324,363</u>	<u>3,663,188</u>	<u>15,987,551</u>
SURPLUS FROM SCHOOL OPERATIONS	8,061	259,473	267,534
Support and other revenue:			
Contributions			
Foundations	-	52,000	52,000
Individuals	19,922	7,752	27,674
Fundraising	2,961	4,472	7,433
Interest income	55,521	170	55,691
Miscellaneous income	<u>20,367</u>	<u>12,768</u>	<u>33,135</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>98,771</u>	<u>77,162</u>	<u>175,933</u>
CHANGE IN NET ASSETS	106,832	336,635	443,467
Net assets at beginning of year	<u>4,756,418</u>	<u>732,063</u>	<u>5,488,481</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,863,250</u>	<u>\$ 1,068,698</u>	<u>\$ 5,931,948</u>

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER

YEAR ENDED JUNE 30, 2019

	Brilla College Preparatory					
	No. of Positions	Program Services			Supporting Services	
		Regular Education	Special Education	Sub-total	Management and general	Total
Personnel Services Costs:						
Administrative staff personnel	23	\$ 937,959	\$ 254,674	\$ 1,192,633	\$ 483,995	\$ 1,676,628
Instructional personnel	55	2,656,337	879,717	3,536,054	-	3,536,054
Total salaries and wages	78	3,594,296	1,134,391	4,728,687	483,995	5,212,682
Fringe benefits and payroll taxes		691,406	218,214	909,620	93,102	1,002,722
Retirement benefits		86,025	27,150	113,175	11,584	124,759
Legal services		-	-	-	28,370	28,370
Accounting/Audit services		-	-	-	24,507	24,507
Management company fees		-	-	-	1,140,541	1,140,541
Other Purchased/Professional/Consulting Services		426,720	129,632	556,352	174,685	731,037
Building rent		1,332,640	361,837	1,694,477	467,324	2,161,801
Repairs and maintenance		2,038	553	2,591	715	3,306
Insurance expense		37,649	10,222	47,871	13,202	61,073
Supplies/Materials		235,396	63,914	299,310	-	299,310
Equipment/Furnishings		13,798	3,746	17,544	4,839	22,383
Leased equipment		25,393	6,895	32,288	8,905	41,193
Staff development		106,927	29,310	136,237	37,497	173,734
Marketing/Recruitment		76,222	20,696	96,918	13,450	110,368
Technology		77,235	20,971	98,206	27,085	125,291
Food services		1,850	502	2,352	-	2,352
Student services		228,931	62,159	291,090	-	291,090
Office expense		25,206	6,844	32,050	48,154	80,204
Travel and conferences		23,369	6,345	29,714	8,195	37,909
Depreciation and amortization		366,352	99,472	465,824	128,471	594,295
Other		24,596	8,019	32,615	22,821	55,436
		<u>\$ 7,376,049</u>	<u>\$ 2,210,872</u>	<u>\$ 9,586,921</u>	<u>\$ 2,737,442</u>	<u>\$ 12,324,363</u>

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER

YEAR ENDED JUNE 30, 2019

	No. of Positions	Veritas				Total
		Regular Education	Special Education	Sub-total	Supporting Services Management and general	
Personnel Services Costs:						
Administrative staff personnel	6	\$ 365,371	\$ 78,182	\$ 443,553	\$ 205,381	\$ 648,934
Instructional personnel	17	766,605	250,179	1,016,784	-	1,016,784
Total salaries and wages	23	1,131,976	328,361	1,460,337	205,381	1,665,718
Fringe benefits and payroll taxes		135,082	39,184	174,266	24,509	198,775
Retirement benefits		18,976	5,505	24,481	3,443	27,924
Legal services		-	-	-	4,263	4,263
Accounting/Audit services		-	-	-	8,493	8,493
Management company fees		-	-	-	271,472	271,472
Other Purchased/Professional/Consulting Services		262,902	59,836	322,738	38,946	361,684
Building rent		412,646	88,298	500,944	145,056	646,000
Repairs and maintenance		223	48	271	78	349
Insurance expense		11,357	2,430	13,787	3,992	17,779
Supplies/Materials		98,010	20,972	118,982	-	118,982
Equipment/Furnishings		3,168	678	3,846	1,114	4,960
Leased equipment		6,074	1,300	7,374	2,135	9,509
Staff development		29,830	6,923	36,753	10,486	47,239
Marketing/Recruitment		32,486	6,951	39,437	6,119	45,556
Technology		25,934	5,549	31,483	9,117	40,600
Student services		80,941	17,320	98,261	-	98,261
Office expense		5,213	1,115	6,328	15,124	21,452
Travel and conferences		7,868	1,684	9,552	2,766	12,318
Depreciation and amortization		31,498	6,740	38,238	11,072	49,310
Other		7,672	2,422	10,094	2,450	12,544
		<u>\$ 2,301,856</u>	<u>\$ 595,316</u>	<u>\$ 2,897,172</u>	<u>\$ 766,016</u>	<u>\$ 3,663,188</u>

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

SCHEDULE OF ACTIVITIES

	Year ended June 30, 2019	Year ended June 30, 2018	Period from August 29, 2016 (date of inception) to June 30, 2017	Period from August 29, 2016 (date of inception) to June 30, 2018
Revenue, gains and other support:				
Public school district:				
Resident student enrollment	\$ 11,429,615	\$ 9,495,436	\$ -	\$ 9,495,436
Students with disabilities	1,150,906	929,286	-	929,286
Grants and contracts:				
State and local	58,440	284,771	-	284,771
Federal - Title and IDEA	655,199	459,963	-	459,963
Federal - other	437,734	354,276	279,306	633,582
NYC DOE Rental Assistance	<u>2,523,191</u>	<u>1,700,000</u>	-	<u>1,700,000</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>16,255,085</u>	<u>13,223,732</u>	<u>279,306</u>	<u>13,503,038</u>
Personnel services costs:				
Administrative staff personnel	2,325,562	1,588,515	157,669	1,746,184
Instructional personnel	<u>4,552,838</u>	<u>3,421,195</u>	-	<u>3,421,195</u>
Total salaries and staff	6,878,400	5,009,710	157,669	5,167,379
Fringe benefits and payroll taxes	1,201,497	806,680	17,428	824,108
Retirement benefits	152,683	108,644	4,052	112,696
Legal services	32,633	38,658	19,151	57,809
Accounting/Audit services	33,000	31,600	-	31,600
Management company fees	1,412,013	1,188,373	-	1,188,373
Other Purchased/Professional/Consulting Services	1,092,721	870,241	35,231	905,472
Building rent	2,807,801	1,480,000	-	1,480,000
Repairs and maintenance	3,655	101,912	-	101,912
Insurance	78,852	54,336	15,473	69,809
Utilities	-	94,411	-	94,411
Supplies/Materials	418,292	391,969	22,028	413,997
Equipment/Furnishings	27,343	18,715	2,740	21,455
Leased equipment	50,702	42,966	-	42,966
Staff development	220,973	145,367	922	146,289
Marketing/Recruitment	155,924	72,824	8,776	81,600
Technology	165,891	130,455	1,112	131,567
Food services	2,352	7,103	-	7,103
Student services	389,351	345,641	172	345,813
Office expense	101,656	87,851	707	88,558
Travel and conferences	50,227	36,160	9,117	45,277
Depreciation and amortization	643,605	632,943	-	632,943
Other	<u>67,980</u>	<u>53,823</u>	<u>850</u>	<u>54,673</u>
TOTAL OPERATING EXPENSES	<u>15,987,551</u>	<u>11,750,382</u>	<u>295,428</u>	<u>12,045,810</u>
SURPLUS (DEFICIT) FROM SCHOOL OPERATIONS	267,534	1,473,350	(16,122)	1,457,228
Support and other revenue:				
Contributions				
Foundations	52,000	800,000	-	800,000
Individuals	27,674	47,549	-	47,549
Fundraising	7,433	10,360	-	10,360
Interest income	55,691	368	324	692
Miscellaneous income	<u>33,135</u>	<u>92,432</u>	-	<u>92,432</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>175,933</u>	<u>950,709</u>	<u>324</u>	<u>951,033</u>
CHANGE IN NET ASSETS	<u>\$ 443,467</u>	<u>\$ 2,424,059</u>	<u>\$ (15,798)</u>	<u>\$ 2,408,261</u>