


Storefront Academy Charter School dba Storefront Academy Charter School South Bronx

**Independent Auditor's Reports and
Financial Statements**

June 30, 2023 and 2022



Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
June 30, 2023 and 2022

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Independent Auditor's Report

Board of Trustees
Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Bronx, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Storefront Academy Charter School dba Storefront Academy Charter School South Bronx, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Storefront Academy Charter School dba Storefront Academy Charter School South Bronx, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in *Note 4* to the financial statements, in 2023, Storefront Academy Charter School dba Storefront Academy Charter School South Bronx adopted new accounting guidance for accounting for leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information within the statement of functional expenses and supplementary schedules 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 GAAS. In our opinion,

the accompanying supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023, on our consideration of Storefront Academy Charter School dba Storefront Academy Charter School South Bronx'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 Storefront Academy Charter School dba Storefront Academy Charter School South Bronx'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 Storefront Academy Charter School dba Storefront Academy Charter School South Bronx's internal control over financial reporting and compliance.

FORVIS,LLP

New York, New York
December 21, 2023

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash	\$ 953,370	\$ 977,960
Contributions and government grants receivable	372,105	617,941
Prepaid expenses and other assets	46,143	60,594
Total current assets	1,371,618	1,656,495
Noncurrent Assets		
Restricted cash	150,185	150,156
Property and equipment, net	1,098,727	1,298,629
Right-of-use asset operating lease	5,094,712	-
Total assets	\$ 7,715,242	\$ 3,105,280
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 140,974	\$ 61,448
Accrued salaries and related liabilities	379,863	492,236
Notes payable	-	76,525
Deferred revenue	-	70,000
Operating lease liability - current portion	1,333,034	-
Total current liabilities	1,853,871	700,209
Noncurrent Liabilities		
Deferred rent expense	-	391,728
Operating lease liability	4,194,720	-
Total liabilities	6,048,591	1,091,937
Net Assets Without Donor Restrictions	1,666,651	2,013,343
Total liabilities and net assets	\$ 7,715,242	\$ 3,105,280

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Statements of Activities
Years Ended June 30, 2023 and 2022

	2023	2022
Revenues and Other Support		
Per-pupil operating revenue - resident student enrollment	\$ 5,321,642	\$ 5,923,081
Per-pupil operating revenue - students with disabilities	942,398	1,045,946
New York City Department of Education (NYCDOE) rental assistance revenue	1,230,943	1,151,194
Total state and local per-pupil operating revenues	7,494,983	8,120,221
Government grants and contracts - federal	1,399,763	2,451,076
Government grants and contracts - state	1,000	33,446
Contributions	206,806	71,969
Special events	\$ 5,944	\$ 7,505
Less direct costs of special event	-	(8,039)
Interest	30	26
Other revenues	59,454	13,644
Total operating revenues and other support	9,167,980	10,689,848
Expenses		
Program services		
General education	5,716,193	5,952,416
Special education	1,826,728	2,007,112
Total program services	7,542,921	7,959,528
Supporting services		
Management and general	1,971,751	2,002,665
Total expenses	9,514,672	9,962,193
Change in Net Assets	(346,692)	727,655
Net Assets (Deficit) Without Donor Restrictions, Beginning of Year	2,013,343	1,285,688
Net Assets (Deficit) Without Donor Restrictions, End of Year	\$ 1,666,651	\$ 2,013,343

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Statement of Functional Expenses
Year Ended June 30, 2023

	** No. of Positions	Program Services			Supporting Services	Total
		General Education	Special Education	Total	Management and General	
Personnel service costs						
Administrative personnel	21	\$ 583,820	\$ 163,471	\$ 747,291	\$ 911,341	\$ 1,658,632
Instructional personnel	32	1,991,427	735,669	2,727,096	-	2,727,096
Non-instructional personnel	10	-	-	-	389,254	389,254
Total personnel service costs	<u>63</u>	<u>2,575,247</u>	<u>899,140</u>	<u>3,474,387</u>	<u>1,300,595</u>	<u>4,774,982</u>
Payroll taxes and employee benefits		517,704	181,492	699,196	263,016	962,212
Legal fees		-	-	-	30,744	30,744
Audit fees		-	-	-	45,416	45,416
Professional fees		691,245	197,122	888,367	66,865	955,232
Repairs and maintenance		39,103	10,868	49,971	5,261	55,232
Curriculum and classroom		131,321	36,841	168,162	-	168,162
Student services		140,292	39,924	180,216	-	180,216
Food services		4,934	1,362	6,296	-	6,296
Staff development		67,237	18,864	86,101	8,991	95,092
Equipment and furnishings		15,909	4,521	20,430	2,109	22,539
Office expense		59,472	16,770	76,242	7,926	84,168
Building, land, rent, and lease		972,274	276,742	1,249,016	174,523	1,423,539
Utilities		40,224	11,518	51,742	5,306	57,048
Information technology		130,735	37,002	167,737	17,382	185,119
Marketing and recruiting		68,150	20,106	88,256	8,803	97,059
Insurance		54,952	16,300	71,252	7,070	78,322
Depreciation		206,080	57,800	263,880	27,564	291,444
Interest expense		1,314	356	1,670	180	1,850
Total expenses reported by function on the statements of activities		<u>\$ 5,716,193</u>	<u>\$ 1,826,728</u>	<u>\$ 7,542,921</u>	<u>\$ 1,971,751</u>	<u>\$ 9,514,672</u>

** Supplemental information

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Statement of Functional Expenses
Year Ended June 30, 2022

	** No. of Positions	Program Services			Supporting Services	Total
		General Education	Special Education	Total	Management and General	
Personnel service costs						
Administrative personnel	22	\$ 721,883	\$ 202,189	\$ 924,072	\$ 1,010,308	\$ 1,934,380
Instructional personnel	55	2,551,654	957,233	3,508,887	-	3,508,887
Non-instructional personnel	10	-	-	-	455,476	455,476
Total personnel service costs	<u>87</u>	<u>3,273,537</u>	<u>1,159,422</u>	<u>4,432,959</u>	<u>1,465,784</u>	<u>5,898,743</u>
Payroll taxes and employee benefits		604,823	215,105	819,928	271,582	1,091,510
Legal fees		-	-	-	6,904	6,904
Audit fees		-	-	-	29,120	29,120
Professional fees		160,276	70,153	230,429	91,457	321,886
Repairs and maintenance		111,151	32,497	143,648	16,411	160,059
Curriculum and classroom		214,635	64,173	278,808	-	278,808
Student services		28,473	7,896	36,369	-	36,369
Food services		6,904	1,805	8,709	-	8,709
Staff development		18,336	5,075	23,411	2,541	25,952
Equipment and furnishings		14,065	4,177	18,242	2,114	20,356
Office expense		80,009	22,540	102,549	12,113	114,662
Building, land, rent, and lease		930,960	261,735	1,192,695	62,773	1,255,468
Utilities		36,118	10,664	46,782	2,462	49,244
Information technology		77,855	23,066	100,921	7,100	108,021
Marketing and recruiting		149,379	57,880	207,259	1,722	208,981
Insurance		49,674	15,813	65,487	7,852	73,339
Interest		-	-	-	9,503	9,503
Depreciation		196,221	55,111	251,332	13,227	264,559
Total expenses reported by function on the statements of activities		<u>\$ 5,952,416</u>	<u>\$ 2,007,112</u>	<u>\$ 7,959,528</u>	<u>\$ 2,002,665</u>	<u>\$ 9,962,193</u>

** Supplemental information

Storefront Academy Charter School
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Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	\$ (346,692)	\$ 727,655
Items not requiring (providing) operating cash flows		
Depreciation	291,444	264,559
Noncash operating lease expense	1,261,941	-
Changes in		
Contributions and government grants receivable	245,836	140,465
Prepaid expenses and other assets	14,451	(5,347)
Accounts payable and accrued expenses	79,526	(15,049)
Accrued salaries and related liabilities	(112,373)	20,354
Due to Department of Education	(70,000)	(36,443)
Deferred rent expense	-	(5,725)
Change in lease liability	(1,220,627)	-
Net cash provided by operating activities	143,506	1,090,469
Investing Activities		
Purchase of property and equipment	(91,542)	(686,421)
Net cash used in investing activities	(91,542)	(686,421)
Financing Activities		
Payments on note payable	(76,525)	(329,697)
Net cash used in financing activities	(76,525)	(329,697)
Change in Cash and Restricted Cash	(24,561)	74,351
Cash and Restricted Cash, Beginning of Year	1,128,116	1,053,765
Cash and Restricted Cash, End of Year	\$ 1,103,555	\$ 1,128,116
Cash and Restricted Cash Consist of:		
Cash	\$ 953,370	\$ 977,960
Restricted Cash	150,185	150,156
	\$ 1,103,555	\$ 1,128,116
Supplemental Cash Flows Information		
Cash paid for interest	\$ 1,850	\$ 9,503
ROU assets obtained in exchange for new operating lease liabilities	17,398	-

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2023 and 2022

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

Nature of Operations

Storefront Academy Charter School (the School) is an educational corporation that operates as a charter school in the Borough of Bronx, New York. On December 2, 2014, the Board of Regents and the Board of Trustees of the State University of New York, on behalf of the State Education Department (NYSED), granted the School a charter valid for a term of five years (expiring June 30, 2020) and renewable upon expiration. The School was granted a charter for grades K through 5. On July 31, 2020, the School's charter was renewed by the New York State Board of Regents through July 31, 2025.

The School has obtained a dba effective September 22, 2015 under the name Storefront Academy Charter School South Bronx.

The School was organized to provide children of varied academic strengths quality educational opportunities, preparing them academically, socially, and emotionally to become critical thinkers, high-achieving students, and well-rounded individuals. Working in partnership with families and community members, the School instills a powerful sense of self, and gives its students the tools to own the future and create meaningful adult lives. During fiscal years 2023 and 2022, the School operated classes for approximately 302 and 350 full-time equivalent general instruction students, respectively, of which 51 and 60 were special education students, respectively.

On February 11, 2020, the Board of Regents of the University of the State of New York amended the charter agreement permitting an additional school to be opened by the School. Storefront Academy Charter School Harlem (SACSH) operates under the same management and board of trustees as the School. During fiscal years 2023 and 2022, SACSH operated classes for approximately 79 and 71 full-time equivalent general instruction students, respectively, of which 13 and 18 were special education students, respectively. SACSH was issued a charter which expires on July 31, 2024.

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

Use of Estimates

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 revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Restricted Cash

The School considers all liquid investments with original maturities of three months or less to be cash equivalents. As of June 30, 2023 and 2022, cash equivalents consisted primarily of money market accounts. Deposit accounts restricted externally by regulators are considered to be restricted cash.

Storefront Academy Charter School
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Notes to Financial Statements
June 30, 2023 and 2022

As of June 30, 2023, the School's cash accounts exceeded federally insured limits by approximately \$872,000.

Cash Reserves

The School maintains cash in an account, pursuant to its Charter Agreements, 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, 2023 and 2022, 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 finance 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
Library books	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, 2023 and 2022.

Storefront Academy Charter School
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Notes to Financial Statements
June 30, 2023 and 2022

Net Assets

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

Net assets without donor restrictions are available for use in general operations and not subject to donor or grantor restrictions.

As of June 30, 2023 and 2022, all net assets are without donor restrictions and are available to be used for operations.

State and Local Per-Pupil Revenue

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.

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 the School overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is 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.

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2023 and 2022

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 statements of activities as net assets released from restrictions.

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

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue without donor restrictions.

All contributions receivable as of June 30, 2023 and 2022 were without donor restrictions.

As of June 30, 2023 and 2022, \$0 and \$70,000 of proceeds received from conditional contributions were recorded as a liability as the conditions had not been met, respectively.

Government Grants

Support funded by grants is recognized as the School meets the conditions prescribed by the grant agreement, performs the contracted services, or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

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.

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 functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program services, management and general, and fundraising categories based on time spent, and staffing allocations to the main functional areas of the School: general education, special education, and management/general.

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2023 and 2022

Note 2: Conditional Grants and Contributions

A portion of the School’s revenue is derived from cost-reimbursable grants, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the School has incurred expenditures in compliance with specific grant provisions. The School has the following conditional grants as of June 30, 2023:

Grant	Term	Grant Amount	Amount Recognized or Forfeited	Amount Outstanding
Summer Boost	July-August 2023	\$ 280,000	\$ -	\$ 280,000

Note 3: Property and Equipment

Property and equipment as of June 30 consist of:

	2023	2022
Leasehold improvement	\$ 598,188	\$ 561,608
Furniture and fixtures	388,367	384,225
Equipment	452,890	442,401
Computers	337,997	297,666
Library books	445,999	445,999
	2,223,441	2,131,899
Accumulated depreciation	(1,124,714)	(833,270)
	<u>\$ 1,098,727</u>	<u>\$ 1,298,629</u>

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Notes to Financial Statements
June 30, 2023 and 2022

Note 4: Leases

Changes in Accounting Principles

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, FASB issued ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under Accounting Standards Codification (ASC) 840 option.

The School adopted Topic 842 on July 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The School elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification, or initial direct costs for existing or expired leases prior to the effective date. The School may have lease agreements with nonlease components that relate to the lease components. The School elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the School elected to keep short-term leases with an initial term of 12 months or less off the statements of financial position. The School did not elect the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$6,339,255 and \$6,730,983, respectively, while the accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. As part of adopting the standard, previously recognized liabilities for deferred rent were reclassified as a component of the ROU assets. The standard did not significantly affect the statements of activities, functional expenses or cash flows.

The cumulative effect of the changes made to the statements of financial position for the adoption of this standard was as follows:

	June 30, 2022 as Reported	ASC 842 Adjustment July 1, 2022	July 1, 2022 as Adjusted
Assets			
Right-of-use assets - operating leases (A)	\$ -	\$ 6,339,255	\$ 6,339,255
Liabilities			
Deferred rent (B)	391,728	(391,728)	-
Operating lease liabilities (C)	-	6,730,983	6,730,983

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2023 and 2022

- (A) The adjustment represents the capitalization of right-of-use assets – operating leases and the reclassification of deferred rent, offset by the reclassification of straight-line rent accruals.
- (B) The adjustment represents the reclassification of straight-line rent accruals to right-of-use assets – operating leases.
- (C) The adjustment represents the recognition of operating lease liabilities.

Accounting Policies

The School determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The School determines lease classification as operating or finance at the lease commencement date.

The School combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The School has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the School is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The School has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The School has entered into the following lease arrangements:

Operating Leases

The School has a lease for space located at Jackson Avenue. The lease is set to expire June 30, 2028 and contains a renewal option for five years. Termination of the lease is generally prohibited unless there is a violation under the lease agreement.

Storefront Academy Charter School
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Notes to Financial Statements
June 30, 2023 and 2022

Future minimum lease payments and reconciliation to the statement of financial position at June 30, 2023 are as follows:

	Leases
2024	\$ 1,472,609
2025	1,544,749
2026	1,034,823
2027	906,480
2028	923,363
Total undiscounted lease payments	5,882,024
Less imputed interest	(354,270)
Lease liabilities	\$ 5,527,754

Prior Year Disclosures Under Topic 840

In March 2018, the School began leasing space located at Jackson Avenue. In May 2019, the lease was amended to include additional space. The lease is set to expire June 30, 2028 and contains a renewal option for five years. Minimum amounts to be paid under the terms of the lease are as follows:

2023	\$ 821,220
2024	841,749
2025	862,797
2026	884,373
2027	906,480
Thereafter	923,364
Total	\$ 5,239,983

Additionally, in May 2019, the School agreed to lease additional space, commencing July 2019. The lease was amended in December 2019 to adjust the lease payments. The lease was set to expire June 30, 2022 but was renewed through 2025. Minimum amounts to be paid under the terms of the lease are as follows:

2023	\$ 435,000
2024	485,000
2025	535,000
	\$ 1,455,000

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Notes to Financial Statements
June 30, 2023 and 2022

During the fiscal year 2021, the School signed two leases for a commercial unit and community facility unit located at Pontiac Place, Bronx, NY. The leases commenced on August 1, 2021 and expire June 30, 2026. The leases contain a renewal option for five years. Minimum amounts to be paid under the terms of the lease are as follows:

2023	\$	126,000
2024		132,300
2025		138,912
2026		<u>145,860</u>
	\$	<u>543,072</u>

Rent expense for the year ended June 30, 2022 was \$1,255,468.

Note 5: Notes Payable

In February 2018, Storefront Academy Harlem 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% on amounts outstanding. In addition, the loan repayment terms were amended for repayments to begin on January 1, 2019.

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 was charged at 3% on amounts outstanding. The School made monthly repayments of principal and interest amount of approximately \$11,600. The note was set to mature with a balloon payment in February 2021, but the School renegotiated to pay the balance in 2023. The amount outstanding as of June 30, 2022 was \$76,525. The balance of the loan was paid in full in 2023.

Note 6: Pension and Other Postretirement Benefit Plans

Employees of the School are eligible to participate in the Storefront Academy Harlem 403(b) Thrift Plan administered by Storefront Academy Harlem. The Board of Trustees annually determines the amount, if any, of the School's contributions to the plan. The School did not make a discretionary contribution to the plan for the years ended June 30, 2023 and 2022.

Storefront Academy Charter School
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Notes to Financial Statements
June 30, 2023 and 2022

Note 7: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Grants and Contracts Subject to Audits

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.

Operating Revenue

The School obtained approximately 97% and 99% of its operating revenues through its charters from New York State for the years ended June 30, 2023 and 2022, respectively.

Note 8: 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, 2023 and 2022, comprise the following:

	2023	2022
Current financial assets at year-end		
Cash	\$ 953,370	\$ 977,960
Contributions and government grants receivable	372,105	617,941
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,325,475	\$ 1,595,901

The financial assets of the School without donor restrictions or restricted by state laws are available for general expenditures. As part of liquidity management, the School invests cash in excess of daily requirements in cash equivalents. During the years ended June 30, 2023 and 2022, the level of liquidity and reserves was managed within the policy requirements.

Note 9: Subsequent Events

Subsequent events have been evaluated through December 21, 2023, which is the date the financial statements were available to be issued.

Supplementary Schedules

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Schedule of Activities by Location
Year Ended June 30, 2023

	Harlem	South Bronx	Total
Revenues and Other Support			
Per-pupil operating revenue - resident student enrollment	\$ 1,388,330	\$ 3,933,312	\$ 5,321,642
Per-pupil operating revenue - students with disabilities	244,224	698,174	942,398
New York City Department of Education (NYCDOE) rental assistance revenue	<u>409,720</u>	<u>821,223</u>	<u>1,230,943</u>
Total state and local per-pupil operating revenues	2,042,274	5,452,709	7,494,983
Government grants and contracts - federal	181,537	1,218,226	1,399,763
Government grants and contracts - state	-	1,000	1,000
Contributions	53,100	153,706	206,806
Special events	\$ 2,223	\$ 3,721	\$ 5,944
Less direct costs of special event	<u>-</u>	<u>-</u>	<u>-</u>
Interest	-	30	30
Other revenues	<u>14,616</u>	<u>44,838</u>	<u>59,454</u>
Total operating revenues and other support	<u>2,293,750</u>	<u>6,874,230</u>	<u>9,167,980</u>
Expenses			
Program services			
General education	1,559,119	4,157,074	5,716,193
Special education	<u>577,510</u>	<u>1,249,218</u>	<u>1,826,728</u>
Total program services	2,136,629	5,406,292	7,542,921
Supporting services			
Management and general	<u>589,654</u>	<u>1,382,097</u>	<u>1,971,751</u>
Total expenses	<u>2,726,283</u>	<u>6,788,389</u>	<u>9,514,672</u>
Change in Net Assets	(432,533)	85,841	(346,692)
Net Assets (Deficit) Without Donor Restrictions, Beginning of Year	<u>(443,217)</u>	<u>2,456,560</u>	<u>2,013,343</u>
Net Assets (Deficit) Without Donor Restrictions, End of Year	<u>\$ (875,750)</u>	<u>\$ 2,542,401</u>	<u>\$ 1,666,651</u>

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Schedule of Functional Expenses – Harlem
Year Ended June 30, 2023

	No. of Positions	Program Services			Supporting Services	Total
		General Education	Special Education	Total	Management and General	
Personnel service costs						
Administrative personnel	4	\$ 139,074	\$ 45,874	\$ 184,948	\$ 249,726	\$ 434,674
Instructional personnel	8	484,217	211,759	695,976	-	695,976
Non-instructional personnel	2	-	-	-	149,550	149,550
	<u>14</u>	<u>623,291</u>	<u>257,633</u>	<u>880,924</u>	<u>399,276</u>	<u>1,280,200</u>
Payroll taxes and employee benefits		134,008	55,391	189,399	85,844	275,243
Legal fees		-	-	-	14,747	14,747
Audit fees		-	-	-	12,273	12,273
Professional fees		219,218	72,311	291,529	17,696	309,225
Repairs and maintenance		8,082	2,666	10,748	955	11,703
Curriculum and classroom		32,369	10,677	43,046	-	43,046
Student services		43,219	14,256	57,475	-	57,475
Food services		875	289	1,164	-	1,164
Staff development		16,586	5,471	22,057	1,960	24,017
Equipment and furnishings		4,815	1,588	6,403	569	6,972
Office expense		15,961	5,265	21,226	1,886	23,112
Building, land, rent, and lease		300,406	99,090	399,496	35,504	435,000
Utilities		13,480	4,447	17,927	1,593	19,520
Information technology		37,193	12,268	49,461	4,396	53,857
Marketing and recruiting		31,873	10,514	42,387	3,767	46,154
Insurance		27,044	8,921	35,965	3,196	39,161
Depreciation		50,575	16,682	67,257	5,977	73,234
Interest expense		124	41	165	15	180
		<u>1,559,119</u>	<u>577,510</u>	<u>2,136,629</u>	<u>589,654</u>	<u>2,726,283</u>
Total expenses reported by function on the statements of activities		<u>\$ 1,559,119</u>	<u>\$ 577,510</u>	<u>\$ 2,136,629</u>	<u>\$ 589,654</u>	<u>\$ 2,726,283</u>

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Schedule of Functional Expenses – South Bronx
Year Ended June 30, 2023

	No. of Positions	Program Services			Supporting Services	Total
		General Education	Special Education	Total	Management and General	
Personnel service costs						
Administrative personnel	17	\$ 444,746	\$ 117,597	\$ 562,343	\$ 661,615	\$ 1,223,958
Instructional personnel	24	1,507,210	523,910	2,031,120	-	2,031,120
Non-instructional personnel	8	-	-	-	239,704	239,704
Total personnel service costs	<u>49</u>	<u>1,951,956</u>	<u>641,507</u>	<u>2,593,463</u>	<u>901,319</u>	<u>3,494,782</u>
Payroll taxes and employee benefits		383,696	126,101	509,797	177,172	686,969
Legal fees		-	-	-	15,997	15,997
Audit fees		-	-	-	33,143	33,143
Professional fees		472,027	124,811	596,838	49,169	646,007
Repairs and maintenance		31,021	8,202	39,223	4,306	43,529
Curriculum and classroom		98,952	26,164	125,116	-	125,116
Student services		97,073	25,668	122,741	-	122,741
Food services		4,059	1,073	5,132	-	5,132
Staff development		50,651	13,393	64,044	7,031	71,075
Equipment and furnishings		11,094	2,933	14,027	1,540	15,567
Office expense		43,511	11,505	55,016	6,040	61,056
Building, land, rent, and lease		671,868	177,652	849,520	139,019	988,539
Utilities		26,744	7,071	33,815	3,713	37,528
Information technology		93,542	24,734	118,276	12,986	131,262
Marketing and recruiting		36,277	9,592	45,869	5,036	50,905
Insurance		27,908	7,379	35,287	3,874	39,161
Depreciation		155,505	41,118	196,623	21,587	218,210
Interest expense		1,190	315	1,505	165	1,670
Total expenses reported by function on the statements of activities		<u>\$ 4,157,074</u>	<u>\$ 1,249,218</u>	<u>\$ 5,406,292</u>	<u>\$ 1,382,097</u>	<u>\$ 6,788,389</u>

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2023, which contained an Emphasis of Matter paragraph regarding a change in accounting principle.

Report on 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 internal control. Accordingly, we do not express an opinion on the effectiveness of Storefront Academy Charter School dba Storefront Academy Charter School South Bronx'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 and therefore, material weaknesses or significant deficiencies may exist that were not 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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Storefront Academy Charter School dba Storefront Academy Charter School South Bronx's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Storefront Academy Charter School dba Storefront Academy Charter School South Bronx's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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.

FORVIS,LLP

New York, New York
December 21, 2023

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Schedule of Findings and Responses
Year Ended June 30, 2023

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2023-001	<p><i>Segregation of Duties</i></p> <p>Criteria or Specific Requirement</p> <p>The accounting functions should be properly segregated to maintain proper internal controls over financial reporting.</p> <p>Condition</p> <p>The current staff size of the School does not always allow for the proper segregation of duties related to cash disbursements, payroll, and the journal entry process.</p> <p>Effect</p> <p>Administrative staff has the ability to misappropriate assets with limited supervision.</p> <p>Cause</p> <p>The School has two accountants performing multiple tasks.</p> <p>Recommendation</p> <p>We recommended that the School establish compensating controls in each area described above.</p> <p>Views of Responsible Officials and Planned Corrective Actions</p> <p>Due to the size of the School’s finance team, procedures have been put in place to establish proper internal controls over financial reporting effective January 1, 2024, allowing for proper segregation of duties related to cash disbursements, payroll, and the journal entry process.</p> <ul style="list-style-type: none"> • Cash Disbursements – All invoices received by the School are entered into Bill.com by the Finance Associate. Invoices are reviewed and approved by the School’s finance consultant and Director of Operations. Cash may not be distributed without two layers of approval.

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Schedule of Findings and Responses (Continued)
Year Ended June 30, 2023

Reference Number	Finding
	<ul style="list-style-type: none">• Payroll – Payroll is prepared by the School’s Finance Associate. The payroll reconciliation is emailed to the finance consultant and Director of Operations prior to processing. The reconciliation includes notes regarding changes in compensation, supplemental payments, employee leaves, PTO and reimbursement information. The finance consultant and Director of Operations will approve the payroll reconciliation prior to distribution. • Journal Entries – Journal entries are made on the general ledger by the finance consultant and Finance Associate. The finance consultant will prepare a monthly journal entry report and provide this to organizational leadership, including the Director of Operations and Finance Committee.

Storefront Academy Charter School
dba Storefront Academy Charter School South Bronx
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

Reference Number	Summary of Finding	Status
2022-001	<i>Segregation of Duties</i> The accounting functions should be properly segregated to maintain proper internal controls over financial reporting.	Unresolved (2023-001)