




Storefront Academy Charter School dba Storefront Academy Charter School South Bronx

**Independent Auditor's Reports, Financial Statements,
and Supplementary Information**

June 30, 2024 and 2023



Storefront Academy Charter School dba Storefront Academy Charter School South Bronx
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June 30, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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.

Substantial Doubt About the School's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming the School will continue as a going concern. As discussed in Note 8 to the financial statements, the School has suffered recurring losses from operations and has stated that substantial doubt exists about the School's ability to continue as a going concern. Management's evaluation of the conditions and events and management's plans regarding these matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. 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 November 1, 2024, 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 Mazars, LLP

**New York, New York
November 1, 2024**

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash	\$ 357,454	\$ 953,370
Contributions and government grants receivable	551,744	372,105
Prepaid expenses and other assets	263,903	46,143
Total current assets	1,173,101	1,371,618
Noncurrent Assets		
Restricted cash	150,215	150,185
Security deposit	300,000	-
Property and equipment, net	1,347,827	1,098,727
Right-of-use asset operating lease	29,179,688	5,094,712
Total assets	<u>\$ 32,150,831</u>	<u>\$ 7,715,242</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 163,699	\$ 140,974
Rent payable	915,588	-
Accrued salaries and related liabilities	577,591	379,863
Operating lease liability - current portion	1,451,776	1,333,034
Total current liabilities	3,108,654	1,853,871
Noncurrent Liabilities		
Operating lease liability	29,153,599	4,194,720
Total liabilities	32,262,253	6,048,591
Net Assets Without Donor Restrictions	<u>(111,422)</u>	<u>1,666,651</u>
Total liabilities and net assets	<u>\$ 32,150,831</u>	<u>\$ 7,715,242</u>

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx
Statements of Activities
Years Ended June 30, 2024 and 2023

	2024	2023
Revenues and Other Support		
Per-pupil operating revenue - resident student enrollment	\$ 6,591,545	\$ 5,321,642
Per-pupil operating revenue - students with disabilities	1,098,909	942,398
New York City Department of Education (NYCDOE) rental assistance revenue	<u>1,406,362</u>	<u>1,230,943</u>
Total state and local per-pupil operating revenues	9,096,816	7,494,983
Government grants and contracts - federal	456,157	1,399,763
Government grants and contracts - state	-	1,000
Contributions	324,870	206,806
Special events	-	5,944
Interest	30	30
Other revenues	<u>30,393</u>	<u>59,454</u>
Total revenues and other support	<u>9,908,266</u>	<u>9,167,980</u>
Expenses		
Program services		
General education	6,583,964	5,716,193
Special education	<u>2,432,747</u>	<u>1,826,728</u>
Total program services	9,016,711	7,542,921
Supporting services		
Management and general	<u>1,804,040</u>	<u>1,971,751</u>
Total expenses	<u>10,820,751</u>	<u>9,514,672</u>
Change in Net Assets Before Impairment of Right-of-Use Asset	(912,485)	(346,692)
Impairment of right-of-use asset	<u>865,588</u>	<u>-</u>
Change in Net Assets	(1,778,073)	(346,692)
Net Assets Without Donor Restrictions, Beginning of Year	<u>1,666,651</u>	<u>2,013,343</u>
Net Assets (Deficit) Without Donor Restrictions, End of Year	<u><u>\$ (111,422)</u></u>	<u><u>\$ 1,666,651</u></u>

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx
Statement of Functional Expenses
Year Ended June 30, 2024

	** No. of Positions	Program Services			Supporting Services Management and General	Total
		General Education	Special Education	Total		
Personnel service costs						
Administrative personnel	19	\$ 717,240	\$ 196,256	\$ 913,496	\$ 736,314	\$ 1,649,810
Instructional personnel	40	1,990,846	1,028,750	3,019,596	-	3,019,596
Non-instructional personnel	7	-	-	-	375,564	375,564
Total personnel service costs	<u>66</u>	2,708,086	1,225,006	3,933,092	1,111,878	5,044,970
Payroll taxes and employee benefits		533,455	242,370	775,825	219,586	995,411
Legal fees		-	-	-	17,749	17,749
Audit fees		-	-	-	46,882	46,882
Professional fees		620,742	176,585	797,327	58,605	855,932
Repairs and maintenance		98,730	29,340	128,070	12,584	140,654
Curriculum and classroom		190,580	51,768	242,348	-	242,348
Student services		80,119	22,502	102,621	-	102,621
Food services		9,486	2,530	12,016	-	12,016
Staff development		124,351	33,427	157,778	14,225	172,003
Equipment and furnishings		9,181	2,477	11,658	1,055	12,713
Office expense		60,108	16,779	76,887	7,161	84,048
Building, land, rent, and lease		1,557,833	458,690	2,016,523	196,593	2,213,116
Utilities		98,337	30,082	128,419	12,929	141,348
Information technology		103,886	28,482	132,368	12,140	144,508
Marketing and recruiting		112,809	32,316	145,125	13,821	158,946
Insurance		79,148	23,513	102,661	10,084	112,745
Depreciation		183,447	52,774	236,221	22,579	258,800
Bad debt expense		-	-	-	45,171	45,171
Other expenses		13,666	4,106	17,772	998	18,770
Total expenses reported by function on the statements of activities		<u>\$ 6,583,964</u>	<u>\$ 2,432,747</u>	<u>\$ 9,016,711</u>	<u>\$ 1,804,040</u>	<u>\$ 10,820,751</u>

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 Management and General	Total
		General Education	Special Education	Total		
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>	2,575,247	899,140	3,474,387	1,300,595	4,774,982
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>

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Change in net assets	\$ (1,778,073)	\$ (346,692)
Items not requiring (providing) operating cash flows		
Bad debt expense	45,171	-
Depreciation	258,800	291,444
Impairment of right to use asset	865,588	-
Noncash operating lease expense	1,387,742	1,261,941
Changes in		
Contributions and government grants receivable	(224,810)	245,836
Prepaid expenses and other assets	(217,760)	14,451
Security deposit	(300,000)	-
Accounts payable and accrued expenses	22,725	79,526
Accrued salaries and related liabilities	197,728	(112,373)
Due to Department of Education	-	(70,000)
Change in lease liability	(345,097)	(1,220,627)
Net cash (used in) provided by operating activities	(87,986)	143,506
Investing Activities		
Purchase of property and equipment	(507,900)	(91,542)
Net cash used in investing activities	(507,900)	(91,542)
Financing Activities		
Payments on note payable	-	(76,525)
Net cash used in financing activities	-	(76,525)
Change in Cash and Restricted Cash	(595,886)	(24,561)
Cash and Restricted Cash, Beginning of Year	1,103,555	1,128,116
Cash and Restricted Cash, End of Year	<u>\$ 507,669</u>	<u>\$ 1,103,555</u>
Cash and Restricted Cash Consist of:		
Cash	\$ 357,454	\$ 953,370
Restricted Cash	150,215	150,185
	<u>\$ 507,669</u>	<u>\$ 1,103,555</u>
Supplemental Cash Flows Information		
Cash paid for interest	\$ 290	\$ 1,850
ROU assets obtained in exchange for new operating lease liabilities	26,338,306	17,398

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 2024 and 2023, the School operated classes for approximately 359 and 302 full-time equivalent general instruction students, respectively, of which 60 and 51 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 2024 and 2023, SACSH operated classes for approximately 90 full-time equivalent general instruction students, of which 22 and 19 were special education students, respectively. SACSH was issued a charter which expires on July 31, 2027.

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, 2024 and 2023, cash equivalents consisted primarily of money market accounts. Deposit accounts restricted externally by regulators are considered to be restricted cash.

As of June 30, 2024, the School's cash accounts exceeded federally insured limits by approximately \$275,000.

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.

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2024 and 2023

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, 2024 and 2023, 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 to 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.

The School determined that they could not use the existing space leased in Harlem for school activities due to modifications required by the Board of Education. As a result, the right-of-use asset was impaired in 2024.

No asset impairment was recognized during the year ended June 30, 2023.

Leases

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.

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2024 and 2023

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.

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, 2024 and 2023 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, 2024 and 2023

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, 2024 and 2023 were without donor restrictions.

As of June 30, 2024 and 2023, there were no proceeds received from conditional contributions that were recorded as a liability.

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.

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, 2024:

<u>Grant</u>	<u>Term</u>	<u>Grant Amount</u>	<u>Amount Recognized or Forfeited</u>	<u>Amount Outstanding</u>
Summer Boost	Through October 2024	<u>\$ 216,480</u>	<u>\$ -</u>	<u>\$ 216,480</u>

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2024 and 2023

Note 3. Property and Equipment

Property and equipment as of June 30 consist of:

	<u>2024</u>	<u>2023</u>
Leasehold improvement	\$ 965,079	\$ 598,188
Furniture and fixtures	395,095	388,367
Equipment	500,867	452,890
Computers	424,300	337,997
Library books	445,999	445,999
	<u>2,731,340</u>	<u>2,223,441</u>
Accumulated depreciation	<u>(1,383,513)</u>	<u>(1,124,714)</u>
	<u>\$ 1,347,827</u>	<u>\$ 1,098,727</u>

Note 4. Leases

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.

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. Termination of the lease is generally prohibited unless there is a violation under the lease agreement. In July 2023, the School notified the landlord they were relocating the School and were breaking the lease for cause. As of the date of the report, the School is in negotiations with the landlord to cancel the balance of the lease payments. The School signed a lease for new lease for space in Harlem for the School. The lease commenced September 2023. The lease is set to expire August 31, 2055 with optional 19-year renewals. Termination of the lease is generally prohibited unless there is a violation under the lease agreement. Future minimum lease payments through 2055 are \$51,863,292. The tenant can exercise an early termination of the lease and pay an early termination fee should their Charter not be renewed. The School continues to accrue a liability for the lease payments even though they are no longer using the old leased space. The liability as of June 30, 2024 was \$915,588. The right-of-use asset has been written down in 2024 due to impairment. 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. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

The School has leases for office equipment that expire in various years through fiscal year 2026. Termination of the leases is generally prohibited unless there is a violation under the lease agreements.

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2024 and 2023

All Leases

The School has no material related-party leases.

The School's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the years ended June 30, 2024 and 2023 are:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 2,494,422	\$ 1,437,997
Total lease cost	<u>\$ 2,494,422</u>	<u>\$ 1,437,997</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 1,451,776	\$ 1,391,736
ROU assets obtained in exchange for new operating lease liabilities	26,338,306	17,398
Weighted-average remaining lease term		
Operating leases	27.89 years	4.30 years
Weighted-average discount rate		
Operating leases	3.94%	2.91%

Future minimum lease payments and reconciliation to the statement of financial position at June 30, 2024 are as follows:

	<u>Leases</u>
2025	\$ 1,872,249
2026	2,184,823
2027	2,075,647
2028	2,181,364
2029	1,296,250
Thereafter	<u>44,881,541</u>
Total undiscounted lease payments	54,491,874
Less imputed interest	<u>(23,886,499)</u>
Lease liabilities	<u>\$ 30,605,375</u>

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx
Notes to Financial Statements
June 30, 2024 and 2023

Note 5. 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, 2024 and 2023.

Note 6. 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 95% and 97% of its operating revenues through its charters from New York State for the years ended June 30, 2024 and 2023, respectively.

Note 7. 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, 2024 and 2023, comprise the following:

	<u>2024</u>	<u>2023</u>
Current financial assets at year-end		
Cash	\$ 357,454	\$ 953,370
Contributions and government grants receivable	<u>551,744</u>	<u>372,105</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 909,198</u>	<u>\$ 1,325,475</u>

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, 2024 and 2023, the level of liquidity and reserves was managed within the policy requirements.

Note 8. Management's Consideration of Going Concern Matters

The School had suffered operating losses of approximately \$1.8 million and approximately \$347,000 in 2024 and 2023, respectively. As a result, the School's net assets without donor restrictions is negative as of June 30, 2024. Management anticipates significant growth in student enrollment to continue in their Harlem campus and some growth in its Bronx campus as well. Fiscal 2025 enrollment is currently up by 11 students overall and anticipates continued growth in 2026.

Fiscal 2024 was a growing year and incurred some non-recurring costs as well to help set up the new Harlem campus. These costs are not anticipated to continue in 2025 and thereafter. A key driver of the net asset movement in 2024 related to the Harlem campus expensing two facilities leases and writing down the leased asset. The School is negotiating with the landlord in good faith to eliminate or reduce the remaining lease obligation. The School anticipates positive cash flow in 2025 assuming no material changes to their budget forecast. The School is confident that they will continue to be able to meet their current obligations. Management also anticipates a renewal of its existing charter in the Bronx in 2025. However, there can be no assurance that the School will be successful in achieving its objective.

The accompanying financial statements have been prepared assuming that the School will continue as a going concern; however, the above conditions raise substantial doubt about the School's ability to do so. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the School be unable to continue as a going concern.

Note 9. Subsequent Events

Subsequent events have been evaluated through November 1, 2024, which is the date the financial statements were available to be issued.

Supplementary Information

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx
Schedule of Activities by Location
Year Ended June 30, 2024

	<u>Harlem</u>	<u>South Bronx</u>	<u>Total</u>
Revenues and Other Support			
Per-pupil operating revenue - resident student enrollment	\$ 1,670,006	\$ 4,921,539	\$ 6,591,545
Per-pupil operating revenue - students with disabilities	336,041	762,868	1,098,909
New York City Department of Education (NYCDOE) rental assistance revenue	<u>500,033</u>	<u>906,329</u>	<u>1,406,362</u>
Total state and local per-pupil operating revenues	2,506,080	6,590,736	9,096,816
Government grants and contracts - federal	142,653	313,504	456,157
Contributions	147,500	177,370	324,870
Interest	-	30	30
Other revenues	<u>4,320</u>	<u>26,073</u>	<u>30,393</u>
Total operating revenues and other support	<u>2,800,553</u>	<u>7,107,713</u>	<u>9,908,266</u>
Expenses			
Program services			
General education	2,237,088	4,346,876	6,583,964
Special education	<u>1,114,533</u>	<u>1,318,214</u>	<u>2,432,747</u>
Total program services	3,351,621	5,665,090	9,016,711
Supporting services			
Management and general	<u>659,219</u>	<u>1,144,821</u>	<u>1,804,040</u>
Total expenses	<u>4,010,840</u>	<u>6,809,911</u>	<u>10,820,751</u>
Change in Net Assets Before Impairment of Right-of-Use Asset	(1,210,287)	297,802	(912,485)
Non-Operating Expenses			
Impairment on right-of-use asset operating lease	<u>865,588</u>	<u>-</u>	<u>865,588</u>
Change in Net Assets	(2,075,875)	297,802	(1,778,073)
Net Assets (Deficit) Without Donor Restrictions, Beginning of Year	<u>(875,750)</u>	<u>2,542,401</u>	<u>1,666,651</u>
Net Assets (Deficit) Without Donor Restrictions, End of Year	<u>\$ (2,951,625)</u>	<u>\$ 2,840,203</u>	<u>\$ (111,422)</u>

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx
Schedule of Functional Expenses – Harlem
Year Ended June 30, 2024

	No. of Positions	Program Services			Supporting Services	Total
		General Education	Special Education	Total	Management and General	
Personnel service costs						
Administrative personnel	6	\$ 156,484	\$ 50,370	\$ 206,854	\$ 246,947	\$ 453,801
Instructional personnel	11	414,185	461,949	876,134	-	876,134
Non-instructional personnel	2	-	-	-	121,873	121,873
Total personnel service costs	<u>19</u>	570,669	512,319	1,082,988	368,820	1,451,808
Payroll taxes and employee benefits		114,294	102,608	216,902	73,868	290,770
Legal fees		-	-	-	11,847	11,847
Audit fees		-	-	-	5,473	5,473
Professional fees		244,513	78,705	323,218	26,451	349,669
Repairs and maintenance		59,203	19,057	78,260	8,220	86,480
Curriculum and classroom		35,425	11,403	46,828	-	46,828
Student services		26,865	8,647	35,512	-	35,512
Food services		1,000	322	1,322	-	1,322
Staff development		17,439	5,613	23,052	2,421	25,473
Equipment and furnishings		1,440	463	1,903	200	2,103
Office expense		18,485	5,950	24,435	2,566	27,001
Building, land, rent, and lease		865,189	278,492	1,143,681	120,121	1,263,802
Utilities		72,882	23,460	96,342	10,119	106,461
Information technology		23,571	7,587	31,158	3,273	34,431
Marketing and recruiting		48,073	15,474	63,547	6,674	70,221
Insurance		47,338	15,237	62,575	6,572	69,147
Depreciation		81,783	26,325	108,108	11,355	119,463
Bad debt expense		-	-	-	765	765
Other		8,919	2,871	11,790	474	12,264
Total expenses reported by function on the statements of activities		<u>\$ 2,237,088</u>	<u>\$ 1,114,533</u>	<u>\$ 3,351,621</u>	<u>\$ 659,219</u>	<u>\$ 4,010,840</u>

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx
Schedule of Functional Expenses – South Bronx
Year Ended June 30, 2024

	No. of Positions	Program Services			Supporting Services	Total
		General Education	Special Education	Total	Management and General	
Personnel service costs						
Administrative personnel	13	\$ 560,756	\$ 145,886	\$ 706,642	\$ 489,367	\$ 1,196,009
Instructional personnel	29	1,576,661	566,801	2,143,462	-	2,143,462
Non-instructional personnel	5	-	-	-	253,691	253,691
Total personnel service costs	<u>47</u>	2,137,417	712,687	2,850,104	743,058	3,593,162
Payroll taxes and employee benefits		419,161	139,762	558,923	145,718	704,641
Legal fees		-	-	-	5,902	5,902
Audit fees		-	-	-	41,409	41,409
Professional fees		376,229	97,880	474,109	32,154	506,263
Repairs and maintenance		39,527	10,283	49,810	4,364	54,174
Curriculum and classroom		155,155	40,365	195,520	-	195,520
Student services		53,254	13,855	67,109	-	67,109
Food services		8,486	2,208	10,694	-	10,694
Staff development		106,912	27,814	134,726	11,804	146,530
Equipment and furnishings		7,741	2,014	9,755	855	10,610
Office expense		41,623	10,829	52,452	4,595	57,047
Building, land, rent, and lease		692,644	180,198	872,842	76,472	949,314
Utilities		25,455	6,622	32,077	2,810	34,887
Information technology		80,315	20,895	101,210	8,867	110,077
Marketing and recruiting		64,736	16,842	81,578	7,147	88,725
Insurance		31,810	8,276	40,086	3,512	43,598
Depreciation		101,664	26,449	128,113	11,224	139,337
Bad debt expense		-	-	-	44,406	44,406
Other expenses		4,747	1,235	5,982	524	6,506
Total expenses reported by function on the statements of activities		<u>\$ 4,346,876</u>	<u>\$ 1,318,214</u>	<u>\$ 5,665,090</u>	<u>\$ 1,144,821</u>	<u>\$ 6,809,911</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, 2024, 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 November 1, 2024, 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002, that we consider to be significant deficiencies.

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 Mazars, LLP

**New York, New York
November 1, 2024**

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx
Schedule of Findings and Responses
Year Ended June 30, 2024

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2024-001	<p>Per-Pupil Revenue – Lack of Documentation for Proof of Residence</p> <p>Criteria or Specific Requirement</p> <p>Under the New York State Charter School Audit Guidelines, the School must obtain valid proof of residency for students and ensure that the proper district is being billed for services.</p> <p>Condition</p> <p>During our per-pupil testing, we noted that the School did not have proper support to prove student’s residence for 1 out of 40 students sampled.</p> <p>Effect</p> <p>Lack of documentation for student residencies could lead to improper per-pupil billing.</p> <p>Cause</p> <p>The School believes that these students were homeless and did not have the required proof of residence.</p> <p>Recommendation</p> <p>Internal controls should be put in place to ensure that the School is maintaining proper documentation in compliance with Charter School guidelines.</p> <p>Views of Responsible Officials and Planned Corrective Actions</p> <p>The School will ensure that all enrolled students have proper proof of residence pursuant to Charter School Guidelines. The School will review onboarding checklists and meet with the Enrollment team to make sure everyone is aware of the proof of residency requirements. Pursuant to State Guidelines, students identified as homeless will complete a designation form, indicating the designated school district of attendance. Additionally, proof of residency will be reviewed internally on a semi-annual basis to ensure compliance with Charter School Guidelines.</p>

Reference Number	Finding
2024-002	<p>Revenue Recognition</p> <p>Criteria or Specific Requirement</p> <p>Revenues from conditional contributions should be recognized when all the conditions associated with the contribution are met.</p> <p>Condition</p> <p>The School recognized revenue from a foundation contribution in fiscal year 2024 prior to the conditions being met.</p> <p>Effect</p> <p>Revenue was overstated in fiscal year 2024.</p> <p>Cause</p> <p>The School did not fully understand the guidance on the contribution.</p> <p>Recommendation</p> <p>We recommended that the School ensure that all conditions are met prior to recognizing conditional contributions. In addition, we recommend that the fiscal staff familiarize themselves with the guidance for conditional contributions.</p> <p>Views of Responsible Officials and Planned Corrective Actions</p> <p>The School’s Director of Development will review the terms of all contributions in the future and assess whether conditions exist that delay revenue recognition per FASB ASC 958-605. A second layer of approval will be performed by the financial consultant prior to recording contribution revenue.</p>

Storefront Academy Charter School dba Storefront Academy Charter School South Bronx
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024

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