BRIGHTER CHOICE ELEMENTARY CHARTER SCHOOLS

FINANCIAL STATEMENTS

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Brighter Choice Elementary Charter Schools
Albany, New York

We have audited the accompanying financial statements of Brighter Choice Elementary Charter Schools, which comprise the statements of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brighter Choice Elementary Charter Schools as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 15 and 16 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 subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required *by Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 12, 2017, on our consideration of Brighter Choice Elementary Charter Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brighter Choice Elementary Charter Schools' internal control over financial reporting and compliance.

Cusack & Company, CPA's LLC

CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 12, 2017

ASSETS

	Girls School	Boys School	Eliminations	Total
Current Assets				
Cash	$ 492,242	$ 675,691	$ -	$ 1,167,933
Contracts and Grants Receivable	534,679	432,579	-	967,258
Prepaid Expenses	8,986	7,720	-	16,706
Due from Related Schools	533,067	-	(532,387)	680
Total Current Assets	1,568,974	1,115,990	(532,387)	2,152,577
Property and Equipment, Net	5,762,655	5,777,517	-	11,540,172
Other Assets				
Cash, Restricted	75,000	75,000	-	150,000
Bond Trust Accounts, Restricted	1,088,646	1,209,761	-	2,298,407
	1,163,646	1,284,761	-	2,448,407
Total Assets	$ 8,495,275	$ 8,178,268	$ (532,387)	$ 16,141,156

LIABILITIES AND UNRESTRICTED NET ASSETS (DEFICIT)

	Girls School	Boys School	Eliminations	Total
Current Liabilities				
Current Portion of Bonded Mortgage Payable	$ 237,500	$ 237,500	$ -	$ 475,000
Accounts Payable and Accrued Expenses	239,537	171,651	-	411,188
Accrued Payroll and Benefits	314,529	326,357	-	640,886
Deferred Revenue	2,089	1,688	-	3,777
Due to Related Schools	-	532,387	(532,387)	-
Total Current Liabilities	793,655	1,269,583	(532,387)	1,530,851
Long-Term Liabilities				
Bonded Mortgage Payable	7,426,015	7,426,015	-	14,852,030
Total Liabilities				
Unrestricted Net Assets (Deficit)	275,605	(517,330)	-	(241,725)
Total Liabilities and Unrestricted Deficit	$ 8,495,275	$ 8,178,268	$ (532,387)	$ 16,141,156

See accompanying notes and independent auditor's report.

	Girls School	Boys School	Total
Revenue, Grants and Support			
Public School District			
Resident Student Enrollment	$ 4,490,758	$ 4,411,123	$ 8,901,881
Grants and Contracts			
State and Local	134,979	132,850	267,829
Federal - Title 1 and IDEA	130,392	123,858	254,250
Other	21,113	95,393	116,506
Food Service/Child Nutrition Program	235,060	227,436	462,496
Total Revenue, Grants and Support	5,012,302	4,990,660	10,002,962
Expenses			
Program Services			
Regular Education	2,586,320	2,655,794	5,242,114
Special Education	112,236	183,552	295,788
Other Programs	1,082,100	567,126	1,649,226
Total Program Services	3,780,656	3,406,472	7,187,128
Management and General			
Total Operating Expenses	614,461	877,496	1,491,957
Total Expenses	4,395,117	4,283,968	8,679,085
Surplus from School Operations	617,185	706,692	1,323,877
Other Revenue			
Fundraising	9,958	18,113	28,071
Interest Income	321	314	635
Miscellaneous Income	320	130	450
Total Other Revenue	10,599	18,557	29,156
Increase in Net Assets	627,784	725,249	1,353,033
Unrestricted Deficit, Beginning of Year	(352,179)	(1,242,579)	(1,594,758)
Unrestricted Net Assets (Deficit), End of Year	$ 275,605	$ (517,330)	$ (241,725)

BRIGHTER CHOICE ELEMENTARY CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017

	Girls School	Boys School	Total
Cash Flows Provided by Operating Activities:			
Change in Net Assets	$ 627,784	$ 725,249	$ 1,353,033
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	234,958	242,317	477,275
Amortization of Deferred Financing Costs	12,456	12,456	24,912
Amortization of Bonded Mortgaged Premium	(2,454)	(2,454)	(4,908)
Changes in Operating Assets and Liabilities			
(Increase) Decrease in Assets			
Grants and Contracts Receivable	(365,476)	(310,901)	(676,377)
Prepaid Expenses	(840)	426	(414)
Increase (Decrease) in Liabilities			
Accounts Payable and Accrued Expenses	(844)	(1,071)	(1,915)
Accrued Payroll and Benefits	88,006	101,089	189,095
Deferred Revenue	2,089	(2,479)	(390)
Net Cash Provided by Operating Activities	595,679	764,632	1,360,311
Cash Flows Used in Investing Activities			
Due from Related Schools	(148,999)	-	(148,999)
Purchase of Property and Equipment	(69,700)	(146,545)	(216,245)
Net Cash Used in Investing Activities	(218,699)	(146,545)	(365,244)
Cash Flows Provided by (Used in) Financing Activities			
Payments on Bonded Mortgage Payable	(227,500)	(227,500)	(455,000)
Net Deposits to Bonded Trust Accounts	(98,891)	(91,212)	(190,103)
Due to Related Schools	-	148,999	148,999
Net Cash Used in Financing Activities	(326,391)	(169,713)	(496,104)
Increase in Cash	50,589	448,374	498,963
Cash, Beginning of Year	516,653	302,317	818,970
Cash, End of Year	$ 567,242	$ 750,691	$ 1,317,933
Supplementary Cash Flow Information			
Cash Paid During the Year for Interest	$ 397,366	$ 397,366	$ 794,732

1. ORGANIZATION AND PURPOSE

Organization

Brighter Choice Charter School for Girls (the "Girls School") and Boys (the "Boys School") are not-for-profit corporations, which were formed in 2001 in order to build and operate charter schools in the City of Albany, New York. The Brighter Choice Charter Schools for Girls and Boys (the "Schools") were established to provide a quality educational alternative for at-risk elementary students in the City. Effective July 1, 2016, Brighter Choice Charter School for Boys was merged with and into Brighter Choice Charter School for Girls, with Brighter Choice Charter School for Girls being renamed Brighter Choice Elementary Charter Schools.

Each charter school, authorized by Article 56 of the New York State Charter Schools Act of 1998, is an independent public school and, in accordance with their charter and by laws, each school has a Board of Trustees and is an independent, discreet operating entity.

The Schools provides a broad and rigorous liberal arts education, including instruction on phonics-based reading, traditional mathematics, science, visual and performing arts, American and world history, and physical education. Students benefit from a longer school day and school year, which will provide them with an equivalent of two years of academic instruction over each of their elementary years.

The New York State Education Department has issued the Schools a three year charter valid until June 30, 2018. During the year ended June 30, 2017, the Girls School had enrollment of approximately 314 students (280 students, June 30, 2016) and the Boys School had enrollment of approximately 315 students (280 students, June 30, 2016) serving kindergarten through 5th grade.

2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION

Financial Statement Presentation

The financial statement presentation follows accounting principles generally accepted in the United States of America (U.S. GAAP) for not-for-profit organizations.

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

<u>Unrestricted Net Assets</u>

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the School.

2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Financial Statement Presentation (Continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. The Schools have no temporarily restricted net assets at June 30, 2017.

Permanently Restricted Net Assets

Permanently restricted net assets are resources whose use by the School is limited by donor imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The Schools have no permanently restricted net assets at June 30, 2017.

Contracts and Grants Receivable

Contacts and grants receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Contracts and grants receivable are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded when received. A receivable is considered past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on outstanding accounts receivable. The allowance for doubtful accounts was $22,242 for the Girls School and $68,855 for the Boys School at June 30, 2017.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor imposed restrictions.

The Schools report grants of cash and other assets as restricted support if they are received with stipulations that limit their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Schools report restricted grants as unrestricted support whenever the restrictions are met in the same year the grants are received.

2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value

The Accounting Standards Codification requires expanded disclosures about fair value measurements and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that the School would receive upon selling an asset or pay to transfer a liability in an orderly transaction between market participants. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value:

Cash, contracts and grants receivable, prepaid expenses, accounts payable and accrued expenses and deferred revenue - The carrying amounts approximate fair value because of the short maturity of these instruments.

Property and equipment - No attempt has been made to determine the fair value of property and equipment.

Mortgage payable - The fair value of the mortgage payable is estimated based on current rates offered to the School for debt of the same remaining maturity. At June 30, 2017, the fair value of the mortgage payable approximates the amount recorded in the financial statements.

Income Taxes

The Schools are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and the School is exempt from state income tax. The Schools have been classified as a publicly-supported organization that is not a private foundation under Section 509(a) of the Code.

2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Accounting for Uncertainty in Income Taxes

The Accounting Standards Codification requires entities to disclose in their financial statements the nature of any uncertainty in their tax position. The Schools have not recognized any benefits or liabilities from uncertain tax positions in 2017 and believes it has no uncertain tax positions for which it is reasonably possible that will significantly increase or decrease net assets. Generally, federal and state authorities may examine the Schools' tax returns for three years from the date of filing; consequently, income returns for years prior to 2014 are no longer subject to examination by tax authorities.

Grant Revenue and Deferred Revenue

Grant revenue is recognized as revenue in the period in which it is spent. Amounts received under these grants that have not yet been spent are recorded as deferred revenue.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Donations of property and equipment are recorded as support at their estimated fair values on the date of donation. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When equipment is retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation, and any resultant gain or loss is credited or charged to the change in net assets.

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Building and Improvements	40
Furniture and Equipment	3-10

Revenue Recognition

A substantial portion of the Schools' revenue and related receivables is derived from its arrangement with the local School Districts, which reimburse the Schools based on per capita enrollment. These revenues are recognized ratably over the related school year during which they are earned.

Revenue from other governmental sources generally represents various entitlements and is recognized as earned when allowable expenditures are incurred.

2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Allocation of Expenses

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services using specific allocation methods. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the School.

3. CASH, RESTRICTED

As part of the charter agreement, charter schools agree to establish an escrow account of no less than a set dollar amount as determined by the New York State Education Department ("NYSED"). This amount is established to pay for legal and audit expenses that would be associated with a dissolution should it occur. Each school has established an escrow account for $75,000 as required by the NYSED.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Girls School	Boys School	Total
Land	$ 110,000	$ 110,000	$ 220,000
Building and Improvements	7,797,546	7,790,864	15,588,410
Furniture and Equipment	581,722	663,548	1,245,270
Total at Cost	8,489,268	8,564,412	17,053,680
Less Accumulated Depreciation	(2,726,613)	(2,786,895)	(5,513,508)
Property and Equipment, Net	$ 5,762,655	$ 5,777,517	$ 11,540,172

Depreciation expense was $234,958 and $242,317 for the Girls School and for the Boys School, respectively, for the year ended June 30, 2017.

5. BONDED MORTGAGE PAYABLE

The Schools' facilities are jointly owned by the two Schools. The facilities were acquired through financing provided by the City of Albany Industrial Development Agency (IDA) in March 2007. The IDA issued taxable and tax-exempt Civic Facility Revenue Bonds totaling $18,490,000 to acquire and renovate the facilities of the two Schools. The Schools acquired the facilities from the IDA through an installment sale agreement which provides for the Schools to make installment purchase payments in amounts sufficient to pay the principal of, premiums on, and interest on, the bonds when due. Under the installment sale agreement, each School is jointly and severally obligated to make the installment purchase payments. The installment sale agreement is collateralized by a first mortgage lien and security interest in the land, buildings and equipment of the Schools' facilities.

Each of the Schools initially recorded 50% of the total cost of the facilities' acquisition and renovation as well as 50% of the installment purchase agreement liability.

Maturities, remaining principal amounts, and interest rates of the bonds (and underlying installment purchase agreement), as allocated to each School, are as follows:

	Girls Total	Boys Total	Total
4.50% Term Bond, Series 2007A due April 1, 2018	$ 237,500	$ 237,500	$ 475,000
5.00% Term Bond, Series 2007A due April 1, 2020	510,000	510,000	1,020,000
5.00% Term Bond, Series 2007A due April 1, 2027	2,230,000	2,230,000	4,460,000
5.00% Term Bond, Series 2007A due April 1, 2032	2,127,500	2,127,500	4,255,000
5.00% Term Bond, Series 2007B due April 1, 2037	2,712,500	2,712,500	5,425,000
Total Bonded Mortgage Payable	7,817,500	7,817,500	15,635,000
Current Portion of Bonded Mortgage Payable	(237,500)	(237,500)	(475,000)
Bonded Mortgage Premium - Net	92,044	92,044	184,088
Deferred Financing Costs - Net	(246,029)	(246,029)	(492,058)
Bonded Mortgage Payable - Long Term	$ 7,426,015	$ 7,426,015	$ 14,852,030

5. BONDED MORTGAGE PAYABLE (CONTINUED)

The following is a summary of maturing debt service requirements for the fiscal year ending June 30,

	Girls School	Boys School	Total
2018	$ 237,500	$ 237,500	$ 475,000
2019	250,000	250,000	500,000
2020	260,000	260,000	520,000
2021	272,500	272,500	545,000
2022	287,500	287,500	575,000
Thereafter	6,510,000	6,510,000	13,020,000
	$ 7,817,500	$ 7,817,500	$ 15,635,000

Total interest was $408,221 and $407,368 for both the Girls School and the Boys School for the year ended June 30, 2017, respectively.

In September 2011, the Schools negotiated an amendment to the financing agreement. The amendment added covenants for a liquidity requirement of maintaining days cash on hand of not less than twenty days as measured semi-annually and for maintaining a debt service coverage ratio of at least 1.10 to 1 as measured annually. Both covenants are calculated using information aggregated from both schools, and both have been met for the year ended June 30, 2017.

6. DEFERRED FINANCING COSTS, NET

Deferred financing costs of $747,406 consist of bond closing costs incurred in connection with tax-exempt and taxable Civic Facility Revenue Bonds issued by the IDA. Bond closing costs are being amortized using the straight-line method over the term of the obligation. Accumulated amortization was $255,348 at June 30, 2017.

Amortization expense was $24,912 for the year ended June 30, 2017.

Estimated amortization expense is $24,912 for each of the next five years.

7. BONDED MORTGAGE PREMIUM, NET

Bonded premiums received in connection with tax-exempt and taxable Civic Facility Revenue Bonds issued by the IDA are amortized using the effective interest method over the term of the obligation.

Premium amortization charged to operations as a reduction of interest expense was $4,908 for the year ended June 30, 2017.

8. BOND TRUST ACCOUNTS - RESTRICTED

The Schools have entered into a custody agreement with Manufacturers and Traders Trust Company as Custodian and as Trustee. Debt service reserve represents funds held by Manufacturers and Traders Trust Company in the name of the Schools. The Schools will direct educational aid payments to be deposited with the Custodian. The Custodian will pay the Trustee, for deposit in the Debt Service Fund, an amount equal to a proportionate share of the next interest payment and principal payment on the Bonds for which funds have not already been provided. Any funds remaining with the Custodian following such transfers will be transferred to the Schools.

In connection with the bonded mortgage with the IDA, the Schools are required to maintain bond trust accounts which are administered by Manufacturers and Traders Trust Company. The underlying investments in the bond trust accounts at June 30, 2017 consist of money market funds.

Bond trust accounts consist of the following:

	Girls School	Boys School	Total
Debt Reserve Fund	$ 609,293	$ 609,293	$ 1,218,586
Bond Fund	117,357	106,576	223,933
Educational Aid Fund	104,928	104,928	209,856
Renewal and Replacement Fund	257,068	388,964	646,032
	$ 1,088,646	$ 1,209,761	$ 2,298,407

The Schools have entered into a collateral agreement for bond trust accounts not covered under federal deposit insurance. Cash is fully insured and collateralized under the bond trust accounts as of June 30, 2017.

9. EMPLOYEE RETIREMENT PLAN

The Schools have 403(b) tax-deferred annuity retirement plans, which are funded by contributions from both the Schools and its employees. The Schools' contribution ranges from 2% to 6% of eligible employees' salaries based on years of service. Retirement plan expense was $82,640 and $71,468 for the Girls School and the Boys School for the year ended June 30, 2017, respectively.

10. COMMITMENTS AND CONTINGENCIES

The Schools maintain cash balances in a financial institution located in the northeast. Accounts at this institution are insured, up to certain limits, by the Federal Deposit Insurance Corporation (FDIC). At times, the Schools have bank deposits in excess of amounts insured by the FDIC.

In the normal course of business, the Schools are, from time to time, subject to allegations that may or do result in litigation. The Schools have general liability insurance to cover potential claims. Based upon the advice of counsel, it is the opinion of management that any liability that may arise from such actions would not result in losses that would materially affect the financial position of the Schools or their change in net assets.

The Schools are subject to audits and reviews of reimbursable costs by various governmental agencies. The outcome of the audits and reviews may have the effect of retroactively increasing or decreasing revenue from various sources. These changes, if any, will be recognized in accordance with the rules and guidelines established by the various funding sources.

11. CONCENTRATION OF RISK

The Schools receive a substantial portion of their funding from school districts where the School's students reside and federal funding sources. One payor constituted 71% of total revenue and support for the year ended June 30, 2017.

12. SUBSEQUENT EVENTS

The Schools have evaluated subsequent events or transactions as to any potential material impact on operations or financial position that existed at the date of the financial statements through October 12, 2017, the date the financial statements were available to be issued. No such events or transactions were identified.

SUPPLEMENTAL INFORMATION AND ADDITIONAL REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

	Program Services			Supporting Services		
	Regular Education	**Special Education**	**Other Programs**	**Management and General**	**Total 2017**	**Total 2016**
Administrative Staff Personnel	$ 171,022	$ -	$ -	$ 330,118	$ 501,140	$ 410,588
Instructional Personnel	1,157,825	49,637	-	-	1,207,462	941,941
Non-Instructional Personnel	-	-	533,902	-	533,902	495,627
Total Salaries and Staff	1,328,847	49,637	533,902	330,118	2,242,504	1,848,156
Fringe Benefits and Payroll Taxes	312,556	11,675	125,578	77,647	527,456	474,091
Retirement	48,971	1,829	19,675	12,165	82,640	69,274
Legal Service	-	-	-	-	-	8,246
Accounting and Audit Services	41,939	1,567	16,850	10,419	70,775	70,750
Other Purchased, Professional and Consulting Services	28,161	24,334	5,690	3,518	61,703	76,792
Facility Interest Expense	241,901	9,036	97,190	60,094	408,221	417,268
Repairs and Maintenance	95,082	3,552	38,202	23,621	160,457	182,068
Insurance	21,865	817	8,785	5,432	36,899	37,251
Utilities	39,831	1,488	16,003	9,895	67,217	69,498
Supplies and Materials	19,441	726	7,811	4,830	32,808	33,469
Equipment and Furnishings	608	23	245	151	1,027	-
Staff Development	6,104	228	2,453	1,517	10,302	11,281
Marketing and Recruitment	-	-	-	26,344	26,344	24,950
Technology	22,292	833	8,957	5,538	37,620	49,232
Food Service	-	-	130,937	-	130,937	127,045
Student Services	204,942	-	-	-	204,942	154,111
Office Expenses	32,564	1,216	13,083	8,090	54,953	69,598
Depreciation	139,229	5,201	55,940	34,588	234,958	233,787
Other	1,987	74	799	494	3,354	5,632
Total Expenses	$ 2,586,320	$ 112,236	$ 1,082,100	$ 614,461	$ 4,395,117	$ 3,962,499

	Program Services			Supporting Services		
	Regular Education	Special Education	Other Programs	Management and General	Total 2017	Total 2016
Administrative Staff Personnel	$ -	$ -	$ -	$ 476,082	$ 476,082	$ 428,175
Instructional Personnel	1,346,140	88,427	-	-	1,434,567	1,244,871
Non-Instructional Personnel	-	-	249,114	-	249,114	257,462
Total Salaries and Staff	1,346,140	88,427	249,114	476,082	2,159,763	1,930,508
Fringe Benefits and Payroll Taxes	290,614	19,090	53,780	102,780	466,264	460,526
Retirement	44,545	2,926	8,243	15,754	71,468	66,489
Legal Service	-	-	-	61	61	9,308
Accounting and Audit Services	44,113	2,898	8,163	15,601	70,775	70,750
Other Purchased, Professional and Consulting Services	42,936	26,841	5,355	10,234	85,366	85,550
Facility Interest Expense	253,905	16,679	46,987	89,797	407,368	417,268
Repairs and Maintenance	112,540	7,393	20,826	39,801	180,560	174,907
Insurance	23,404	1,537	4,331	8,277	37,549	37,691
Utilities	43,394	2,850	8,030	15,347	69,621	73,913
Supplies and Materials	20,796	1,366	3,849	7,355	33,366	64,952
Staff Development	12,074	793	2,234	4,270	19,371	12,184
Marketing and Recruitment	-	-	-	23,479	23,479	24,989
Technology	12,171	800	2,252	4,305	19,528	25,109
Food Service	-	-	120,288	-	120,288	123,200
Student Services	227,203	-	-	-	227,203	144,516
Office Expenses	24,515	1,610	4,537	8,670	39,332	45,755
Depreciation	151,031	9,921	27,950	53,415	242,317	245,463
Other	6,413	421	1,187	2,268	10,289	7,450
Total Expenses	$ 2,655,794	$ 183,552	$ 567,126	$ 877,496	$ 4,283,968	$ 4,020,528

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INDEPENDENT AUDITOR'S 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*

To the Board of Trustees of
Brighter Choice Elementary Charter Schools
Albany, 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 Brighter Choice Elementary Charter Schools (nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brighter Choice Elementary Charter Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Schools' 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 than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cusack & Company, CPA's LLC

CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 12, 2017