

BRILLA COLLEGE PREPARATORY CHARTER SCHOOL

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2017

(With Comparative Totals for 2016)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9
 <u>REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	
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 <i>Government Auditing Standards</i>	18

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Brilla College Preparatory Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Brilla College Preparatory Charter School, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As outlined in Note J, In May 2017, the Board of Regents of the State University of New York issued an order of consolidation and extension of the provisional charter which consolidated the Charter School into the Brilla College Preparatory Charter School at Highbridge and amended the surviving education corporation name to Brilla College Preparatory Charter Schools, effective July 1, 2017. In conjunction with this merger, effective July 1, 2017, the Charter School was dissolved.

Report on Summarized Comparative Information

We have previously audited Brilla College Preparatory Charter School's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2016. In our opinion, the summarized comparative information presented herein as of June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017 on our consideration of Brilla College Preparatory Charter School'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brilla College Preparatory Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 18, 2017

BRILLA COLLEGE PREPARATORY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(With Comparative totals for 2016)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 2,638,866	\$ 898,115
Grants and other receivables	302,595	213,530
Due from related party	185,561	-
Prepaid expenses and other current assets	<u>169,081</u>	<u>168,588</u>
TOTAL CURRENT ASSETS	3,296,103	1,280,233
<u>PROPERTY AND EQUIPMENT, net</u>	1,156,821	1,347,784
<u>OTHER ASSETS</u>		
Security deposits	110,438	10,438
Cash in escrow	<u>75,106</u>	<u>75,076</u>
	<u>185,544</u>	<u>85,514</u>
TOTAL ASSETS	<u>\$ 4,638,468</u>	<u>\$ 2,713,531</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Current portion of long-term debt	\$ 76,181	\$ 71,755
Accounts payable and accrued expenses	294,457	117,138
Accrued payroll and benefits	193,342	234,102
Deferred revenue	494,249	23,352
Deferred lease liability	<u>220,000</u>	<u>220,000</u>
TOTAL CURRENT LIABILITIES	1,278,229	666,347
<u>OTHER LIABILITIES</u>		
Deferred lease liability	-	220,000
Long-term debt, net of unamortized debt issuance costs of \$17,518 and \$21,561 at June 30, 2017 and 2016, respectively	<u>280,019</u>	<u>352,157</u>
	280,019	572,157
<u>NET ASSETS</u>		
Unrestricted	3,034,331	1,475,027
Temporarily restricted	<u>45,889</u>	<u>-</u>
TOTAL NET ASSETS	<u>3,080,220</u>	<u>1,475,027</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,638,468</u>	<u>\$ 2,713,531</u>

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

BRILLA COLLEGE PREPARATORY CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2017
(With Comparative totals for 2016)

	Year ended June 30,			2016
	2017			
	Unrestricted	Temporarily restricted	Total	Total
Operating revenue and support:				
State and local per pupil operating revenue	\$ 7,128,961	\$ -	\$ 7,128,961	\$ 5,589,060
Federal grants	302,563	-	302,563	247,302
State and local grants	741,579	-	741,579	483,617
Contributions	65,257	45,889	111,146	5,410
Interest income	141	-	141	536
Fundraising	-	-	-	2,501
Other income	41,892	-	41,892	5,543
TOTAL OPERATING REVENUE AND SUPPORT	8,280,393	45,889	8,326,282	6,333,969
Expenses:				
Program:				
Regular education	4,245,866	-	4,245,866	3,769,285
Special education	1,266,329	-	1,266,329	845,299
	5,512,195	-	5,512,195	4,614,584
Management and general	1,208,894	-	1,208,894	1,113,012
TOTAL EXPENSES	6,721,089	-	6,721,089	5,727,596
Loss on disposal of assets	-	-	-	(845)
CHANGE IN NET ASSETS	1,559,304	45,889	1,605,193	605,528
Net assets at beginning of year	1,475,027	-	1,475,027	869,499
NET ASSETS AT END OF YEAR	\$ 3,034,331	\$ 45,889	\$ 3,080,220	\$ 1,475,027

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

BRILLA COLLEGE PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017
 (With Comparative totals for 2016)

	Year Ended June 30,						2016 Total
	2017			Supporting Services		Total	
	No. of Positions	Regular Education	Special Education	Sub-total	Management and general		
Personnel services costs:							
Administrative staff personnel		\$	\$	\$	\$	\$	\$
Instructional personnel		2,594,873	635,101	282,725	425,365	708,090	2,148,420
Non-instructional personnel						2,650,498	641,626
Total salaries and wages	9 44	2,172,125	692,574	2,581,974		3,358,588	2,790,046
Fringe benefits and payroll taxes			117,611		68,524		
Retirement benefits	53		16,200	2,864,699	493,889	11,553	570,346
Legal services		-		-	83,871	23,673	-
Audit services		368,864		486,475		21,900	19,900
Professional services - other			60,257			442,843	
Building rent		50,808	144,262	67,008	21,900	186,888	68,562
Repairs and maintenance			7,604			46,382	3,911
Insurance (credit) expense		195,698		255,955	8,955	(6,046)	330,331
Utilities		565,829	(960)	710,091		53,883	880,000
Supplies and materials		29,823	44,002	37,427	169,909	(1,322)	216,456
Non-capitalized equipment and furnishings		(3,764)	3,948	4,954		6,139	
Leased equipment		34,646	1,006	(4,724)		28,189	
Professional development		172,454	8,833	43,479	10,404	(5,443)	42,424
Student and staff recruitment			30,337	216,456		150,095	142,188
Technology			8,489			44,684	3,543
Food services		18,125	12,531	22,746	1,185	76,442	38,079
Student services		92,101	1,389	122,438	27,657	2,919	6,834
Office expense		33,276	21,128	41,765			103,932
Travel and conferences		49,152	3,172	61,683		14,407	30,021
Depreciation and amortization		5,445	5,150	6,834			31,415
Other		82,804	84,552	103,932		6,065	511,727
		12,442	3,571	15,614		99,584	45,025
		\$ 4,245,866	\$ 1,266,329	\$ 5,512,195	\$ 1,208,894	\$ 6,721,089	\$ 6,924,572,596
		327,591		412,143			531,804
		14,299		17,870	27,155		43,428

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

BRILLA COLLEGE PREPARATORY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017
(With Comparative totals for 2016)

	<u>Year ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,605,193	\$ 605,528
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	511,727	531,804
Loss on disposal of property	-	845
Amortization of debt issuance costs included in interest expense	4,043	2,695
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(89,065)	62,258
Prepaid expenses and other current assets	(493)	(151,157)
Security deposits	(100,000)	545
Accounts payable and accrued expenses	177,319	(102,957)
Accrued payroll and benefits	(40,760)	54,363
Deferred revenue	470,897	9,005
Deferred lease liability	(220,000)	(45,000)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	2,318,861	967,929
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(320,764)	(142,696)
Due from related party	(185,561)	-
Change in cash in escrow	(30)	(25,031)
NET CASH USED FOR INVESTING ACTIVITIES	(506,355)	(167,727)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Repayments on long-term debt, net	(71,755)	(27,726)
NET CASH USED FOR FINANCING ACTIVITIES	(71,785)	(27,726)
NET INCREASE IN CASH	1,740,721	772,476
Cash at beginning of year	898,115	125,639
CASH AT END OF YEAR	<u>\$ 2,638,836</u>	<u>\$ 898,115</u>

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

BRILLA COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

(With Comparative Totals for 2016)

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

The Charter School

Brilla College Preparatory Charter School (the “Charter School”) is an educational corporation that operates as a charter school in Bronx, New York. On June 19, 2012, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration.

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

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2017 or 2016.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. At June 30, 2017, the school had \$45,889 of temporarily restricted net assets. These assets were restricted for the purpose of staff training. The Charter School has no temporarily restricted net assets at June 30, 2016.

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

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

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

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

BRILLA COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

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

Contributions

Contributions and unconditional promises to give are recorded as unrestricted, temporarily or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

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

Cash

Cash balances are maintained at financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Cash in escrow

The Charter School maintained cash in an escrow account in accordance with the terms of its Charter agreement. The amount restricted as of June 30, 2017 and 2016 was \$75,106 and \$75,076, respectively.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2017 and 2016.

Property and equipment

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

Contributed services

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

BRILLA COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

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

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution.

Tax exempt status

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

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2014 through June 30, 2017 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$44,700 and \$24,000 for the years ended June 30, 2017 and 2016, respectively.

Deferred revenue

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

Deferred lease liability

The Charter School leases its facility. The lease contains pre-determined fixed escalations of the base rent. In accordance with GAAP, the Charter School recognizes the related rent expense on a straight-line basis over five years which is the lease term and records the difference between the recognized rental expense and the amounts payable under the lease as a deferred lease liability.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

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

New accounting pronouncement

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, "*Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.*" ASU 2015-03 simplifies the presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Under the previous practice, debt issuance costs were recognized as an asset. The Charter School has retrospectively adopted the amendments of ASU 2015-03 effective July 1, 2015. The Charter School revised the statement of financial position presentation of debt issuance costs from "Deferred financing costs" to a deduction from the carrying amount of long-term debt on the statement of financial position. The amount of debt issuance costs that were reclassified as of June 30, 2016 was approximately \$21,600.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Comparatives for year ended June 30, 2016

The financial statements include certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 18, 2017, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted, except as disclosed in Note D and J.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2017 and 2016:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 276,521	\$ 150,483
Computer equipment and software	359,753	265,643
Office equipment	215,212	186,203
Leasehold improvements	<u>1,698,438</u>	<u>1,626,830</u>
	2,549,924	2,229,159
Less accumulated depreciation and amortization	<u>1,393,103</u>	<u>881,375</u>
	<u>\$ 1,156,821</u>	<u>\$ 1,347,784</u>

Total depreciation and amortization expense was \$511,727 and \$531,804 for the years ended June 30, 2017 and 2016, respectively.

NOTE C: COMMITMENT

In October of 2016, the Charter School signed an Academic and Business Services Agreement with Seton Education Partners, Inc. (Seton). The agreement begins on July 1, 2017, and renews annually on June 30.

Seton will be responsible and accountable to the Board for the administration, operations, education, and performance of the Charter School in accordance with the Charter and the Charter School's budget.

The Charter School will pay Seton twelve percent of the total enrollment of students multiplied by the approved per pupil operating expenses, payable six times a year.

NOTE D: SCHOOL FACILITY

The Charter School subleases from Seton, approximately 25,200 square feet of classrooms and office facilities along with 1,900 square feet of play-yard under a non-cancelable lease agreement expiring in June 2018. The current monthly payment is \$91,667. The payments will increase each year of the lease term by the agreed upon amount as described in the lease. Rent expense was \$880,000 for each of the years ended June 30, 2017 and 2016, respectively.

In November 2016, the Charter School signed an additional lease with Seton for the middle school and made an additional security deposit of \$100,000. The lease will begin in August 2017 and go through June 2036. The payments will increase each year of the lease term by the agreed upon amount as described in the lease.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE D: SCHOOL FACILITY, Cont'd

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

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 1,330,000
2019	350,000
2020	700,000
2021	721,000
2022	742,630
Thereafter	<u>13,069,483</u>
	<u>\$ 16,913,113</u>

NOTE E: OPERATING LEASES

The Charter School leases office equipment under non-cancelable lease agreements expiring at various dates through March 2018. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2018	<u>\$ 12,440</u>

NOTE F: LONG-TERM DEBT

In July 2014, the Charter School entered into a construction to permanent note payable with an unrelated party for tenant improvements to the facility that the Charter School is renting. Interest only payments were made through December 1, 2015 when principal repayments began. Monthly payments are \$8,044, including interest at 6% for the term of the loan, which is 6 years, through November 2021. As of June 30, 2017, the note had an outstanding principal balance of \$373,718. As of June 30, 2016, the note had an outstanding principal balance of \$445,473. On the accompanying statement of financial position, this amount is presented net of unamortized debt issuance costs of \$17,518 and \$21,561 at June 30, 2017 and 2016, respectively. The note payable has certain financial and reporting covenants. At June 30, 2017 and 2016, the Charter School was in compliance with these covenants.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE F: LONG-TERM DEBT, Cont'd

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

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 76,200
2019	80,900
2020	85,900
2021	91,200
2022	<u>39,600</u>
	<u>\$ 373,800</u>

NOTE G: CONCENTRATIONS

At June 30, 2017, approximately 66% of grants and other receivables are due from New York State relating to certain grants and approximately 26% are due from the Federal government relating to certain grants.

At June 30, 2016, approximately 35% of grants and other receivables are due from New York State relating to certain grants and approximately 58% are due from the Federal government relating to certain grants.

During the years ended June 30, 2017 and 2016, approximately 86% and 88%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE H: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering all regular employees. The Charter School may make a discretionary contribution to the plan. In 2017 and 2016 the board approved the Charter School to make up to a 3% match of employee contributions. There was an employer contribution to the plan for the years ended June 30, 2017 and 2016 for approximately \$78,600 and \$68,600, respectively.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2017

(With Comparative Totals for 2016)

NOTE I: CONTINGENCIES

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

A contractor was injured while performing construction work at the Charter School. The Charter School is named as an active participant in the case, but is expected to be dropped from the litigation due to the landlord, Seton, and the insurance company handling the case.

All claims made against the Charter School will be vigorously defended and management believes there will be no material adverse effect on the Charter School's financial position as a result of the outcome of any outstanding legal matter.

NOTE J: MERGER AND DISSOLUTION

In August 2016, the Charter School's Board of Trustees signed a new charter agreement with the Board of Regents of the State University of New York. The charter agreement was for a new school named Brilla College Preparatory Charter School at Highbridge ("Highbridge"). The charter agreement is for five years and is for an additional elementary school. In May 2017, the Board of Regents of the State University of New York issued an order of consolidation and extension of the provisional charter which consolidated the Charter School into the Brilla College Preparatory Charter School at Highbridge and amended the surviving education corporation name to Brilla College Preparatory Charter Schools, effective July 1, 2017. In conjunction with this merger, effective July 1, 2017, the Charter School was dissolved.

At June 30, 2017, the Charter School has recorded a due from related party on the accompanying statement of financial position of approximately \$186,000 which represents expenses paid for by the Charter School on behalf of Brilla College Preparatory Charter School at Highbridge.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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*

Board of Trustees
Brilla College Preparatory Charter School

We have audited 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, the financial statements of Brilla College Preparatory Charter School, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 18, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brilla College Preparatory Charter School's 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 Brilla College Preparatory Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Brilla College Preparatory Charter School'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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 over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 over financial reporting 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 Brilla College Preparatory Charter School'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 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*.

We noted certain matters that we reported to management of Brilla College Preparatory Charter School in a separate letter dated October 18, 2017.

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.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
October 18, 2017