Bronx Global Learning Institute for Girls

Financial Statements
and
Independent Auditors' Report

June 30, 2014

Bronx Global Learning Institute for Girls

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Independent Auditors' Report

To the Board of Trustees of
Bronx Global Learning Institute for Girls
Bronx, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Bronx Global Learning Institute for Girls (a nonprofit organization) which comprise the statement of financial position as of June 30, 2014, 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 Bronx Global Learning Institute for Girls as of June 30, 2014, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2014, on our consideration of Bronx Global Learning Institute for Girls' 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 Bronx Global Learning Institute for Girls' internal control over financial reporting and compliance.

Vargas & Rivera, LLP

New City, New York
October 3, 2014

Bronx Global Learning Institute for Girls
Statement of Financial Position
June 30, 2014

ASSETS

Current Assets	
Cash	$ 3,103,670
Due from Government Agencies (Note 3)	160,287
Prepaid Expenses	2,436
Total Current Assets	3,266,393
Fixed Assets	
Equipment, Furniture and Fixtures	342,621
Less: Accumulated Depreciation	(282,475)
Total Fixed Assets	60,146
Other Assets	
Escrow Deposit	75,281
Total Other Assets	75,281
Total Assets	$ 3,401,820

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable and Accrued Expenses	$ 37,648
Accrued Payroll and Related Expenses	320,174
Total Current Liabilities / Total Liabilities	357,822
Net Assets	3,043,998
Total Liabilities and Net Assets	$ 3,401,820

See accompanying notes and independent auditors' report.

Bronx Global Learning Institute for Girls
Statement of Activities
For the year ended June 30, 2014

PUBLIC SUPPORT AND REVENUE	Unrestricted	Temporarily Restricted	Total
Resident Student Enrollment	$ 4,671,903	$ -	$ 4,671,903
Food Service / Meals (Note 6)	98,978	-	98,978
Federal Funding	-	213,144	213,144
State and City Funding	-	17,386	17,386
In-kind Contributions (Note 6)	530,889	-	530,889
Contributions	1,599		1,599
Miscellaneous Income	3,820	-	3,820
Interest Income	4,763	-	4,763
	5,311,952	230,530	5,542,482
Net Assets Released From Restrictions	230,530	(230,530)	-
Total Public Support and Revenue	5,542,482	-	5,542,482
EXPENSES			
Program Services			
Regular Education	3,595,676	-	3,595,676
Special Education	386,259	-	386,259
	3,981,935	-	3,981,935
Supporting Services			
Management and General	617,372	-	617,372
Total Expenses	4,599,307	-	4,599,307
Change in Unrestricted Net Assets	943,175	-	943,175
Net Assets, Beginning of Year	2,100,823	-	2,100,823
Net Assets, End of Year	$ 3,043,998	$ -	$ 3,043,998

See accompanying notes and independent auditors' report.

Bronx Global Learning Institute for Girls
Statement of Cash Flows
For the year ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Unrestricted Net Assets	$ 943,175
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	34,841
Gain on Disposal of Assets	
Changes in Assets and Liabilities	
(Increase) / Decrease in:	
Due from Government Agencies	(3,795)
Prepaid Expenses	5,042
Escrow Deposit	(89)
Increase / (Decrease) in:	
Accounts Payable and Accrued Expenses	(43,880)
Accrued Payroll and Related Expenses	66,233
Total Adjustments	58,352
Net Cash Provided by Operating Activities	1,001,527
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale of Assets	
Purchases of Equipment, Furniture and Fixtures	(53,515)
Net Cash Used In Investing Activities	(53,515)
NET INCREASE IN CASH	948,012
CASH - BEGINNING OF YEAR	2,155,658
CASH - END OF YEAR	$ 3,103,670

See accompanying notes and independent auditors' report.

NOTE 1 - ORGANIZATION

Bronx Global Learning Institute for Girls (the "School") is a charter school for children located in Bronx, New York. In the first year of operation (2008-2009), the school operated grades kindergarten through first. The school plans to add one grade per year until the eighth grade is reached. It educates children in a completely nondiscriminatory and secular basis. The founders and supporters of the School believe that access to a public education of high quality for all children is the foremost issue. The School was chartered in February 2008 and was extended for a term up through and including June 30, 2018.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation
The net assets of the School and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the School and/or the passage of time. The School had no temporarily restricted net assets at June 30, 2014.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions
The School records contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulation 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. All contributions received in the year ended 2014 were unrestricted.

Recognition of Revenue
Government contract revenue is recognized as earned in the period services are provided and costs are incurred.

Cash and Cash Equivalents
For the purposes of the statement of cash flows, the School considers all highly liquid investments available for current use with an initial period of three months or less to be cash equivalents.

Income Tax Status
The School is a not-for-profit corporation organized under the laws of the State of New York. It is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment, Furniture and Fixtures,
Equipment, furniture and fixtures are valued at cost less accumulated depreciation. Depreciation is computed on a straight line basis over the estimated useful lives of the related assets or the term of the lease agreement. Normal replacement and maintenance costs are charged to earnings as incurred, and major renewals and improvements are capitalized. Upon disposition, the cost and related accumulated depreciation is removed from the accounts and the resulting gain or loss for the period. The School capitalizes assets with cost of $500 and over. Depreciation is calculated based on the useful lives of the assets as follows: Equipment, Furniture and Fixtures 3 - 7 Years.

Functional Allocation of Expenses
Expenses relating to more than one function are allocated to program service and management and general based on employee time estimates or other appropriate usage factors.

Contributed Services
Contributed services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

A number of volunteers have made a contribution of their time to the School to develop academic and other programs and to serve on the board of trustees. The value of this contributed time is not reflected in the financial statements as such services either do not require specialized skills or would not typically be purchased had they not been provided as donations.

Concentration of Credit Risk
Financial institutions can potentially subject the School to concentrations of credit risk. The School maintains its cash accounts with one commercial bank. The accounts at the commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of $250,000. At June 30, 2014, the School had approximately $2,928,451 in uninsured cash balances. However, the School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

NOTE 3 – PUPIL ENROLLMENT AND OTHER REVENUES FROM GOVERNMENT

Under the School's Charter School Agreement and the Charter School Act, the School is entitled to receive funding from both State and Federal sources that are available to public schools. These funds include State pupil enrollment funds and Federal food subsidies and Title I, IIA, IID, IV and V funds. The calculation of the amounts to be paid to the School under these programs is determined by the State, and is based on complex laws and regulations, enrollment levels, and economic information related to the home school district of the children enrolled in the school. If these regulations, some of which are relatively new in the State of New York, were to change, or other factors included in the calculations were to change, the level of funding that the School receives could vary significantly. Amounts due from governmental agencies as of June 30, 2014 are $160,287.

NOTE 4 – DEFINED CONTRIBUTION PLAN

The School offers a 401(k) plan (the "Plan") for substantially all of its employees. Employees are eligible for the plan immediately upon employment and participation in the Plan is voluntary. Employees may contribute up to 15% of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The School matches the employee contribution 100% up to 4% of the employee's annual compensation. The School's contribution recognized in the statement of activities was $31,175 for 2014. The Plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

NOTE 5 – MANAGEMENT FEES

In July 2008, the School entered into an agreement with Victory Schools, Inc. (VSI) d/b/a Victory Education Partners (VEP) to provide services related to certain education and operational aspects of the School. Victory serves as an advisor regarding functions associated with the educational services to be provided to the students at the School and consults with the School with respect to its legal and operational compliance in accordance with the terms of the charter and the Charter School Act. In providing the above services, VEP is paid a service fee in the amount equal to the product of the total full-time equivalent enrollment of students in the Charter School as defined under Section 119.1 of the New York State Commissioner of Education Regulations multiplied by two thousand one hundred seventy-four dollars ($2,174) (The "Per Pupil Fee"). The Per Pupil Fee shall be increased or decreased each year by the percentage increase or decrease in the Final Adjusted Per Pupil for charter schools in the New York City school district as calculated by the New York State Education Department annually.

Per VEP's letter dated June 24, 2014, in good faith and in anticipation of the parties finalizing the Renewal Agreement shortly, the parties have agreed to deem the Existing Agreement to be extended until such time as the Renewal Agreement is finalized and executed by the parties. During such extension period of the Existing Agreement, the Victory fee shall be $440,000 for the 2013-2014 school year with a 4% escalation for the 2014-2015 school year. All other terms of the Existing Agreement shall remain in full force and effect.

NOTE 6 – IN-KIND GOODS AND SERVICES

The School received in-kind goods and service of facilities (approximate 14,962 square feet) and services from various sources. In-kind contributions in the statement of activities and the schedule of functional expenses consisted of the following for the year ended June 30, 2014:

Rent	$ 457,506
Maintenance/Security	42,966
Utilities	30,417
Food Service / Meals	103,134
	$ 634,023

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Audits by Funding Sources

The School participates in a number of Federal and State programs. These programs require that the School complies with certain requirement of laws, regulations, contracts, and agreements applicable to the program in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or result of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

NOTE 8 – CONCENTRATION OF RISK

The School is dependent on various government agencies for funding and is responsible for meeting the requirements of such agencies. If the school was to lose students or the related government funding, it could have a substantial effect on its ability to continue operations.

NOTE 9 – SUBSEQUENT EVENTS

The School evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events need to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was October 3, 2014, for these financial statements.

Supplemental Information

Bronx Global Learning Institute for Girls
Schedule of Functional Expenses
For the year ended June 30, 2014

Personnel Service Costs	Regular Education	Special Education	Total Programs	Support Services	Total
Administrative Staff Personnel	$ 437,902	$ 44,760	$ 482,662	$ -	$ 482,662
Instructional Personnel	1,698,934	173,654	1,872,588	-	1,872,588
Non-Instructional Personnel	2,927	11,446	14,373	79,006	93,379
Total Personnel Service Costs	2,139,763	229,860	2,369,623	79,006	2,448,629
Fringe Benefits	273,987	29,433	303,420	10,116	313,536
Retirement Benefits	27,243	2,926	30,169	1,006	31,175
Payroll Taxes	194,293	20,871	215,164	7,174	222,338
Total Personnel and Related Expenses	2,635,286	283,090	2,918,376	97,302	3,015,678
Operating Expenses					
Management Fee (Note 5)	-	-	-	440,000	440,000
Professional and Other Consultant Fees	75,121	8,070	83,191	2,773	85,964
Legal	-	-	-	3,852	3,852
Food (Note 6)	90,125	9,681	99,806	3,328	103,134
Insurance	30,512	3,278	33,790	30,286	64,076
Supplies and Materials	135,019	14,504	149,523	4,985	154,508
Technology	23,211	2,493	25,704	857	26,561
In-kind Goods and Services (Note 6)	464,404	49,888	514,292	17,147	531,439
Staff Development	17,822	1,914	19,736	658	20,394
Marketing and Recruiting	4,101	441	4,542	151	4,693
Auditing Fees	-	-	-	11,600	11,600
Office Expense	29,355	3,153	32,508	1,084	33,592
Maintenance and Repairs	5,657	608	6,265	209	6,474
Equipment/Furnishings	12,564	1,350	13,914	464	14,378
Student Services	23,213	2,494	25,707	857	26,564
Depreciation	30,446	3,271	33,717	1,124	34,841
Other Expenses	18,840	2,024	20,864	695	21,559
Total Operating Expenses	960,390	103,169	1,063,559	520,070	1,583,629
TOTAL EXPENSES	$ 3,595,676	$ 386,259	$ 3,981,935	$ 617,372	$ 4,599,307

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Independent Auditors' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
Bronx Global Learning Institute for Girls
Bronx, New York

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 Bronx Global Learning Institute for Girls (a nonprofit organization) which comprise the statement of financial position as of June 30, 2013 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 3, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bronx Global Learning Institute for Girls '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 Bronx Global Learning Institute for Girls 's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. 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 Bronx Global Learning Institute for Girls' financial statements are free of 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.

Vargas & Rivera, LLP

New City, New York
October 3, 2014