

BRONX LETTERS FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2022

**BRONX LETTERS FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2022**

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INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees
Bronx Letters Foundation**

Opinion

We have audited the accompanying financial statements of **Bronx Letters Foundation (a nonprofit organization)**, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bronx Letters Foundation as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bronx Letters Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

 Shapero & Duggan, P.C.

May 4, 2023
New York, New York

BRONX LETTERS FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

Cash	\$ 646,295
Investments in marketable securities	504,855
Prepaid expenses and other assets	<u>5,536</u>
Total assets	<u><u>\$ 1,156,686</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	<u>\$ 3,991</u>
Total liabilities	<u>3,991</u>

Net assets	
Without donor restrictions	1,103,444
With donor restrictions	<u>49,251</u>
Total net assets	<u>1,152,695</u>
Total liabilities and net assets	<u><u>\$ 1,156,686</u></u>

See notes to financial statements.

BRONX LETTERS FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Operating activities			
Revenues and other support			
Foundations and corporations	\$ 190,771	\$	\$ 190,771
Individuals	48,133	26,300	74,433
Special events	159,395		159,395
Net investment return	(29,030)		(29,030)
Loan forgiveness - Payroll Protection Program	34,375		34,375
Total revenues and other support	<u>403,644</u>	<u>26,300</u>	<u>429,944</u>
 Expenses			
School and student programs	<u>321,330</u>	<u>1,959</u>	<u>323,289</u>
 Supporting services:			
Management and general	31,652		31,652
Fundraising	<u>29,758</u>		<u>29,758</u>
Total support services	<u>61,410</u>		<u>61,410</u>
Total expenses	<u>382,740</u>	<u>1,959</u>	<u>384,699</u>
 Change in net assets	20,904	24,341	45,245
 Net assets - July 1,	<u>1,082,540</u>	<u>24,910</u>	<u>1,107,450</u>
 Net assets - June 30,	<u><u>\$ 1,103,444</u></u>	<u><u>\$ 49,251</u></u>	<u><u>\$ 1,152,695</u></u>

See notes to financial statements.

BRONX LETTERS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDING JUNE 30, 2022

	Total	School and Student Programs	Management and General	Fundraising
Salaries	\$ 172,000	\$ 137,600	\$ 25,800	\$ 8,600
Payroll taxes	13,533	10,781	2,064	688
School and student programs	155,965	155,965		
Photography/Audio visual	4,750			4,750
Other special event expenses	569			569
Office	1,869	935	187	747
Professional fees	15,100	7,550	1,510	6,040
Insurance	9,997	4,999	999	3,999
Processing fees	9,995	4,998	1,000	3,997
Dues and subscriptions	318	159	32	127
Taxes and license fees	603	302	60	241
Total	\$ 384,699	\$ 323,289	\$ 31,652	\$ 29,758

See notes to financial statements

**BRONX LETTERS FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

Cash flows from operating activities

Increase in net assets	\$ 45,245
Adjustments to reconcile increase in net assets provided by operating activities:	
Realized losses on investments	153
Unrealized losses on investments	41,764
Loan forgiveness - Paycheck Protection Program	(34,375)
Changes in operating assets and liabilities	
(Increase) decrease in:	
Prepaid expenses and other assets	7,217
Increase (decrease) in:	
Accounts payable and accrued expenses	(2,638)
Total adjustments	12,121
Net cash provided by operating activities	57,366

Cash flows from investing activities

Investment acquisitions	(331,381)
Proceeds from sales of investments	21,450
Net cash used in investing activities	(309,931)

Cash flows from financing activities

Net decrease in cash	(252,565)
Cash - beginning of year	898,860
Cash - end of year	\$ 646,295

See notes to financial statements.

BRONX LETTERS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 - Summary of Significant Accounting Policies

Organization.

The Bronx Letters Foundation (the "Foundation") was formed to support and operate programs that enhance the educational experience of students of the Bronx Academy of Letters (the "Academy"). The Academy, a public high school in the Bronx, New York, serves low income middle and high school students and emphasizes the importance of reading and writing in its programs and activities. The Foundation acts as an informal PTA to the Academy and supports and operates various enrichment programs and activities for the Academy's student body, in cooperation with the school's administration.

Financial Statement Presentation.

The financial statements of the organization have been prepared on the accrual basis in accordance with generally accepted accounting principles accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not For Profit Organizations" (the "Guide") (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net Assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Income Tax Status.

The Foundation qualifies as a tax-exempt corporation under Section 501 (c) (3) of the Internal Revenue Code and therefore, has no provision for federal income taxes.

Management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustment to or disclosure in the financial statements to comply with the provisions of the accounting guidance for income taxes.

The Organization's Forms 990 *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2020, 2021 and 2022 are subject to examination by the IRS, generally for three years after they were filed.

BRONX LETTERS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Revenue Recognition.

Revenue and expenses are recorded on the accrual basis.

Donated Services.

The Foundation has not reflected donated services relating to support of its programs and operations on its financial statements, since these services do not meet the criteria for Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605.

Investments in Marketable Securities.

Investments are reflected on the statement of financial position at fair value. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the statement of activities and changes in net assets. Dividends and interest are recognized as they are earned.

Use of Estimates.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Functional Expenses.

The costs of school and student programs along with support services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

Note 2 – Cash

The Foundation, at times, maintains cash balances with a financial institution that exceeds federally insured amounts.

Note 3 – Liquidity and Availability of Financial Assets

The organization's financial assets as of the June 30, 2022 balance sheet date, are all currently available to meet cash needs for general expenditures with the exception of \$49,251 which has donor restrictions.

Note 4 – Fair Value Measurement

The Foundation's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values.

BRONX LETTERS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurements authoritative literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active market for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the plan are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the organization are deemed to be actively traded.

	<u>Fair Value</u>	<u>Level 1</u>
Mutual Funds:		
Fixed Income	\$ 345,652	\$ 345,652
Large Cap	108,878	108,878
International	<u>50,325</u>	<u>50,325</u>
Total	<u>\$ 504,855</u>	<u>\$ 504,855</u>

Note 5 – Loan Payable – Paycheck Protection Plan.

The Foundation was granted a \$28,800 and \$34,375 loan in April 2020 and May 2021, respectively under the Paycheck Protection Program by the Small Business Administration (SBA) to provide relief from the Coronavirus pandemic. These loans were uncollateralized, fully guaranteed by the federal government and eligible for loan forgiveness up to 100% of the loan, upon meeting certain requirements. Interest accrues at 1%, on the loan but payments are not required to begin for 10 months after the end of an eight- or 24-week loan forgiveness covered period. The Foundation was granted loan forgiveness by the SBA in May and December 2021 in the amounts of \$28,800 and \$34,375, respectively on the first and second draws. The \$34,375 has been reflected in the statement of activities for the year ending June 30, 2022.

Note 6 – Evaluation of Subsequent Events.

Management has evaluated subsequent events through May 4, 2023, the date the financial statements were available to be issued.