



**The Brooklyn
Charter School**
BUILDING BRIDGES TO TOMORROW

Audited Financial Statements In Accordance
With Government Auditing Standards

June 30, 2020

BROOKLYN CHARTER SCHOOL

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Independent Auditor's Report

To the Board of Trustees of
Brooklyn Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Brooklyn Charter School (the "School"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, 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

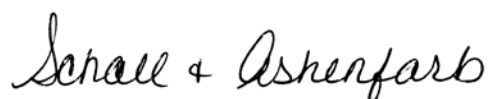
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brooklyn Charter School as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2020, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Schall & Ashenfarb
Certified Public Accountants, LLC

October 29, 2020

BROOKLYN CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2020
(With comparative totals at June 30, 2019)

	<u>6/30/20</u>	<u>6/30/19</u>
Assets		
Cash and cash equivalents	\$211,164	\$96,691
Investments (Note 3)	1,789,540	1,704,356
Government grant receivable - per pupil (Note 4)	0	10,038
Government grants receivable	123,813	42,625
Contributions receivable	0	15,000
Prepaid expenses and other receivables	15,761	10,084
Employee loans receivable	706	10,860
Restricted cash (Note 5)	75,075	75,000
Fixed assets, net (Note 6)	<u>74,397</u>	<u>55,590</u>
 Total assets	 <u><u>\$2,290,456</u></u>	 <u><u>\$2,020,244</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$131,003	\$147,466
Accrued payroll and payroll related liabilities	<u>455,301</u>	<u>443,339</u>
Total liabilities	<u>586,304</u>	<u>590,805</u>
Net assets:		
Without donor restrictions	1,245,226	988,836
With donor restrictions (Note 7 and 8)	<u>458,926</u>	<u>440,603</u>
Total net assets	<u>1,704,152</u>	<u>1,429,439</u>
 Total liabilities and net assets	 <u><u>\$2,290,456</u></u>	 <u><u>\$2,020,244</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

BROOKLYN CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(With comparative totals for the year ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 6/30/20	Total 6/30/19
Public support and revenue:				
Public school district: (Note 4)				
Revenue - resident student enrollment	\$3,553,016		\$3,553,016	\$3,135,226
Revenue - students with special education services	388,913		388,913	320,899
Total public school district	3,941,929	0	3,941,929	3,456,125
Government grants	178,894		178,894	210,100
Contributions	23,829		23,829	75,949
In-kind contributions	1,253,314		1,253,314	1,030,969
Interest and dividends	36,640	6,674	43,314	48,321
Other income	39,950		39,950	54,479
Total public support and revenue	5,474,556	6,674	5,481,230	4,875,943
Expenses:				
Program services:				
Instructional support	4,301,607		4,301,607	4,237,184
Supporting services:				
Management and general	946,973		946,973	1,020,782
Total expenses	5,248,580	0	5,248,580	5,257,966
Change in net assets from operations	225,976	6,674	232,650	(382,023)
Non operating activity:				
Net realized and unrealized gain on investments	30,414	11,649	42,063	52,898
Change in net assets	256,390	18,323	274,713	(329,125)
Net assets - beginning of year	988,836	440,603	1,429,439	1,758,564
Net assets - end of year	\$1,245,226	\$458,926	\$1,704,152	\$1,429,439

The attached notes and auditor's report are an integral part of these financial statements.

BROOKLYN CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(With comparative totals for the year ended June 30, 2019)

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total Expenses</u>	<u>Total Expenses</u>
	Instructional Support	Management and General	6/30/20	6/30/19
Salaries	\$2,429,074	\$488,947	\$2,918,021	\$3,050,480
Payroll taxes and employee benefits	602,745	121,324	724,069	755,453
Total personnel costs	<u>3,031,819</u>	<u>610,271</u>	<u>3,642,090</u>	<u>3,805,933</u>
Professional development	16,483	15,837	32,320	33,540
Professional fees	29,425	62,582	92,007	93,778
Student and staff recruitment	4,570	3,833	8,403	18,312
Supplies and materials	44,172	14,135	58,307	81,455
Office expense	36,456	10,537	46,993	38,501
Student services	20,206		20,206	49,348
Insurance	43,822	8,821	52,643	58,294
Technology	5,721	3,045	8,766	11,581
Occupancy and facility costs (in-kind)	1,043,307	210,007	1,253,314	1,030,969
Depreciation	25,626	5,158	30,784	30,401
Board expenses		909	909	4,615
Other		1,838	1,838	1,239
Total other than personnel costs	<u>1,269,788</u>	<u>336,702</u>	<u>1,606,490</u>	<u>1,452,033</u>
Total expenses	<u><u>\$4,301,607</u></u>	<u><u>\$946,973</u></u>	<u><u>\$5,248,580</u></u>	<u><u>\$5,257,966</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

BROOKLYN CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(With comparative totals for the year ended June 30, 2019)

	<u>6/30/20</u>	<u>6/30/19*</u>
Cash flows from operating activities:		
Change in net assets	\$274,713	(\$329,125)
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Net realized and unrealized gain on investments	(42,063)	(52,898)
Depreciation	30,784	30,401
Changes in assets and liabilities:		
Government grant receivable - per pupil	10,038	3,380
Government grants receivable	(81,188)	26,011
Contributions receivable	15,000	(15,000)
Prepaid expenses and other receivables	(5,677)	13,470
Employee loans receivable	10,154	4,907
Accounts payable and accrued expenses	(16,463)	(24,796)
Accrued payroll and payroll related liabilities	11,962	2,778
Total adjustments	<u>(67,453)</u>	<u>(11,747)</u>
Net cash provided by/(used for) operating activities	<u>207,260</u>	<u>(340,872)</u>
 Cash flows from investing activities:		
Purchase of furniture and equipment	(49,591)	(22,451)
Purchase of investments	(473,726)	(616,365)
Proceeds from sales of investments	430,605	796,369
Net cash (used for)/provided by investing activities	<u>(92,712)</u>	<u>157,553</u>
 Net increase/(decrease) in cash, cash equivalents, and restricted cash	114,548	(183,319)
 Cash, cash equivalents, and restricted cash - beginning of year	<u>171,691</u>	<u>355,010</u>
 Cash, cash equivalents, and restricted cash - end of year	<u>\$286,239</u>	<u>\$171,691</u>
 Reconciliation to statement of financial position		
Cash and cash equivalents	211,164	96,691
Restricted cash	75,075	75,000
Total cash, cash equivalents, and restricted cash	<u>286,239</u>	<u>171,691</u>
 Supplemental disclosures:		
Interest and taxes paid	<u>\$0</u>	<u>\$0</u>
Noncash contributions	<u>\$0</u>	<u>\$26,057</u>

*Reclassified for comparative purposes

The attached notes and auditor's report are an integral part of these financial statements.

**BROOKLYN CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 1 - Organization and Nature of Activities

Brooklyn Charter School (the “School”), located in Brooklyn, New York, is a not-for-profit education corporation chartered by the Board of Regents of the State of New York. The School provides a full range of educational services appropriate for grade levels K, 1, 2, 3, 4 and 5. The School completed the 2019-2020 fiscal year with an average enrollment of approximately 220 students. The School is a publicly funded, privately managed school, which is independent of the New York City Department of Education (“NYCDOE”).

On May 23, 2019, the Board of Regents of the State of New York, for and on behalf of the State Education Department, granted an extension of the provisional charter up through and including June 30, 2022.

The School has been notified by the Internal Revenue Service that it is a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation.

Note 2 - Significant Accounting Policies

a. Basis of Accounting

The financial statements of the School have been prepared on the accrual basis of accounting, which is the method of recognizing revenue and expenses when earned or incurred regardless of when cash is received or paid.

Effective July 1, 2019 the School adopted the requirements of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, “Topic 606”). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective July 1, 2019, the School adopted ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“Topic 605”). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, the School evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, the School applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

Analysis of the various provisions of both of these standards resulted in no significant changes in the way the School recognizes revenue.

b. Basis of Presentation

Not-for-profit organizations report information regarding its financial position and activities according to specific classes of net assets, as follows:

- *Net Assets Without Donor Restrictions* – accounts for activity without donor-imposed restrictions.
- *Net Assets With Donor Restrictions* – relates to activity based on specific donor restrictions that are expected to be satisfied by the passage of time or performance of activities.

c. Revenue Recognition

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

The School's public-school district revenue and other government grants are primarily conditional, non-exchange transactions and fall under Topic 605. Revenue from these transactions is recognized based on rates established by the School's funding sources and when performance related outcomes are achieved as well as other conditions under the agreements are met.

Contributions and grants expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value using a risk adjusted discounted rate. Pledges are reviewed for collectability. Based on knowledge of specific donors and factoring in historical experience, no allowance for doubtful accounts exists as of June 30, 2020 or June 30, 2019. Write-offs will be made directly to operations in the period the receivable is deemed to be uncollectable. Conditional contributions are recognized as income when the conditions have been substantially met.

d. Cash and Cash Equivalents

Checking and money market accounts with local banks and highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash and cash equivalents for purposes of the accompanying statement of cash flows. Cash maintained in escrow per requirements of NYCDOE are treated as restricted cash.

e. Investments

Investments are recorded at fair value, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are recognized in the statement of activities.

f. Fixed Assets

Fixed assets are stated at cost or fair value at the date of the gift, if donated. The School capitalizes fixed assets in excess of pre-defined amounts that have a useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful life of each asset, which generally ranges between 5 and 7 years.

g. Contributed Space

The School's operations are located in a facility provided by NYCDOE at a charge of \$1.00 per annum and utilizes approximately 15,440 square feet. As such, the School has recorded the estimated fair value of this space as in-kind revenue and expense in the financial statements.

h. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The following expenses were allocated using time and effort as the basis:

- Salaries
- Employee benefits and payroll taxes
- Office expenses
- Insurance
- Rent and utilities
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

i. Use of Estimates

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

j. Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. 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 School's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

k. Accounting for Uncertainty in Income Taxes

The School does not believe its financial statements include any material, uncertain tax positions. Tax returns for periods ending June 30, 2017 and later are subject to examination by applicable taxing authorities.

l. New Accounting Pronouncements

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2023 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the June 30, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line item presentation on the statement of activities and additional disclosures.

The School is in the process of evaluating the impact these standards will have on future financial statements.

m. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through October 29, 2020, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date, through our evaluation date, that would require adjustment to or disclosure in the financial statements.

Note 3 - Investments

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the School has the ability to access.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are not observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Investment balances consist of the following:

	<u>June 30, 2020</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money markets	\$52,757	\$52,757	\$0	\$0
Equity mutual funds:				
U.S. large cap	664,615	664,615	0	0
EAFE equity	194,707	194,707	0	0
Japanese large cap	32,584	32,584	0	0
Asia ex-Japan equity	16,643	16,643	0	0
Fixed income mutual funds:				
U.S. fixed income	651,971	651,971	0	0
Non-U.S. fixed income	<u>176,263</u>	<u>176,263</u>	<u>0</u>	<u>0</u>
Total	<u>\$1,789,540</u>	<u>\$1,789,540</u>	<u>\$0</u>	<u>\$0</u>

	<u>June 30, 2019</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money markets	\$20,033	\$20,033	\$0	\$0
Equity mutual funds:				
U.S. large cap	615,414	615,414	0	0
EAFE equity	255,437	255,437	0	0
Japanese large cap	15,123	15,123	0	0
Global equity	70,834	70,834	0	0
Fixed income mutual funds:				
U.S. fixed income	603,058	603,058	0	0
Non-U.S. fixed income	<u>124,457</u>	<u>124,457</u>	<u>0</u>	<u>0</u>
Total	<u>\$1,704,356</u>	<u>\$1,704,356</u>	<u>\$0</u>	<u>\$0</u>

Level 1 securities are valued at the closing price reported on the active market that they are traded on.

These methods produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value or certain financial instruments could result in different fair value measurements.

Note 4 - Grants Receivable – New York City Department of Education

	<u>6/30/20</u>	<u>6/30/19</u>
Beginning receivable	\$10,038	\$13,418
Funding based on allowable FTE's	3,941,929	3,456,125
Cash receipts	<u>(3,951,967)</u>	<u>(3,459,505)</u>
Ending grants receivable	<u>\$0</u>	<u>\$10,038</u>

Note 5 - Restricted Cash

An escrow account has been established to meet the requirement of NYCDOE. The purpose of this account is to ensure sufficient funds are available for an orderly dissolution or transition process in the event of termination of the charter or school closure.

Note 6 - Fixed Assets

Fixed assets consist of the following:

	<u>6/30/20</u>	<u>6/30/19</u>
Furniture and equipment	\$618,083	\$568,492
Less: accumulated depreciation	<u>(543,686)</u>	<u>(512,902)</u>
Furniture and equipment, net	<u>\$74,397</u>	<u>\$55,590</u>

Note 7 - Net Assets With Donor Restrictions

The following summarizes the activity of net assets with donor restrictions:

	<u>June 30, 2020</u>			
	Beginning Balance <u>7/1/19</u>	<u>Increases</u>	Released from <u>Restrictions</u>	Ending Balance <u>6/30/20</u>
W.E.A.L.T.H.Y. Program	\$7,946	\$0	\$0	\$7,946
Learning Partners Program	1,228	0	0	1,228
Endowment fund (See Note 8)	<u>431,429</u>	<u>18,323</u>	<u>0</u>	<u>449,752</u>
Total	<u>\$440,603</u>	<u>\$18,323</u>	<u>\$0</u>	<u>\$458,926</u>

	<u>June 30, 2019</u>			
	Beginning Balance <u>7/1/18</u>	<u>Increases</u>	Released from <u>Restrictions</u>	Ending Balance <u>6/30/19</u>
W.E.A.L.T.H.Y. Program	\$7,946	\$0	\$0	\$7,946
Learning Partners Program	0	10,000	(8,772)	1,228
Endowment fund (See Note 8)	<u>412,032</u>	<u>19,397</u>	<u>0</u>	<u>431,429</u>
Total	<u>\$419,978</u>	<u>\$29,397</u>	<u>(\$8,772)</u>	<u>\$440,603</u>

Note 8 - Endowment Funds

Included in the investment funds is a contribution from a related entity, Sheltering Arms Children's Service ("SACS"). Pursuant to its plan of dissolution and distribution of assets, which was approved by the Supreme Court of the State of New York, the School was required to establish a donor-restricted endowment in perpetuity.

Interpretation of Relevant Law

The School follows New York Prudent Management of Institutional Funds Act ("NYPMIFA"), which the board of directors has interpreted to require certain amounts to be retained in perpetuity. Absent explicit donor stipulations to the contrary, the fair value of the original gift as of the gift date for all donor-restricted endowment funds will be preserved. However, under certain circumstances, the School has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, the School classifies as donor-restricted in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Absent any specific donor-stipulations, endowment earnings are classified as donor restricted net assets until those amounts are appropriated for expenditure by the School.

Spending Policies

In accordance with NYPMIFA, the following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the School's mission and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources available;
- (7) The investment policies;
- (8) Where appropriate and circumstances would otherwise warrant alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have.

The board made no appropriations from the endowment during the years ended June 30, 2020 and 2019.

Endowment Investment Policies

Endowment assets were pooled with other investments until the School adopts an investment policy.

Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires to be retained as a fund of perpetual duration. There were no such deficiencies at June 30, 2020 and 2019.

Changes in endowment net assets can be summarized as follows:

	<u>June 30, 2020</u>		
	<u>Endowment Corpus</u>	<u>Endowment Earnings</u>	<u>Total</u>
Endowment net assets, beginning of year	\$366,667	\$64,762	\$431,429
Investment income	0	6,674	6,674
Net realized/unrealized gain	<u>0</u>	<u>11,649</u>	<u>11,649</u>
Endowment net assets, end of year	<u>\$366,667</u>	<u>\$83,085</u>	<u>\$449,752</u>

	<u>June 30, 2019</u>		
	<u>Endowment Corpus</u>	<u>Endowment Earnings</u>	<u>Total</u>
Endowment net assets, beginning of year	\$366,667	\$45,365	\$412,032
Investment income	0	7,483	7,483
Net realized/unrealized gain	<u>0</u>	<u>11,914</u>	<u>11,914</u>
Endowment net assets, end of year	<u>\$366,667</u>	<u>\$64,762</u>	<u>\$431,429</u>

Note 9 - Retirement Plan

The School sponsors a 401(k)-profit sharing plan. Employees at least 21 years old are eligible to participate. The School's contributions are determined annually, on a discretionary basis, which was 4% through the years ended June 30, 2020 and 2019. The total amount of employer contributions was \$37,063 and \$29,196 for the years ended June 30, 2020 and 2019, respectively.

Note 10 - Commitments and Contingencies

On July 1, 2005, the School and NYCDOE signed a facility shared use agreement for the use of certain dedicated space within a New York City public school. The agreement has been renewed on a year-to-year basis. NYCDOE provides various operating services to the School including utilities, custodial and maintenance services, and charges a user fee of \$1.00 per annum. See Note 2g for contributed space disclosure.

Government contracts are subject to audit by the grantor. Management does not believe that any audits, if they were to occur, would result in material disallowed costs, and has not established any reserves. Any disallowed costs would be recorded in the period notified.

In the normal course of business, the School is involved in proceedings, lawsuits and other claims. These matters are subject to many uncertainties, and outcomes are not predictable with a high degree of assurance. Consequently, the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of June 30, 2020 cannot be ascertained. Management believes that the final outcome of these matters will not have a material impact on the financial statements of the School.

Note 11 - Significant Concentrations

Financial instruments, which potentially subject the School to concentration of credit risk, consist of cash, money market accounts and investment securities. The School places its temporary cash and money market accounts with financial institutions that management deems to be creditworthy. At year end, and at various times throughout the year, balances were in excess of federally insured amounts. However, the School has not experienced any losses due to bank failure. The market value of investments is subject to fluctuation; however, management believes the investment policy is prudent for the long-term welfare of the School.

The School is dependent upon grants from NYCDOE to carry out its operations. Revenue from NYCDOE was 75% and 71% of the School's total public support and revenue for the years ended June 30, 2020 and 2019, respectively.

Note 12 - Liquidity and Availability of Financial Resources

The School maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management, the School operates its programs within a board-approved budget and relies primarily on NYC per pupil funding to fund its operations and program activities.

The following reflects the School's financial assets at June 30, 2020 that are available to meet cash needs for general expenditures within one year:

Cash and cash equivalents	\$211,164	
Investments	1,789,540	
Government grants receivable	123,813	
Employee loans receivable	<u>706</u>	
Total financial assets		\$2,125,223
Less amounts not available to be used within one year:		
Donor restricted assets		<u>(458,926)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$1,666,297</u>

Note 13 - Other Matters

In January 2020, the World Health Organization declared the novel coronavirus (COVID-19) a Public Health Emergency of International Concern. Since then, the pandemic has led to quarantines, facility closures, and logistics restrictions that have hurt workforces, economies, and financial markets. These events could adversely affect the School by potentially impacting the funding it receives; limiting program operations; depressing demand for its services; and disrupting its students, staff, and suppliers. As of the date of these financial statements, the potential impact of these events on the School cannot be quantified.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

To the Board of Trustees of
Brooklyn Charter School

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 Brooklyn Charter School (the "School"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated October 29, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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.

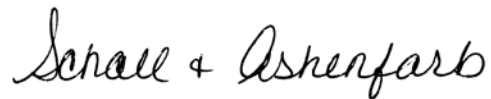
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during 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 the School's 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



Schall & Ashenfarb
Certified Public Accountants, LLC

October 29, 2020

**BROOKLYN CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020**

Current Year:

None

Prior Year Follow-Up:

None