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

**Audited Financial Statements In Accordance
With Government Auditing Standards**

June 30, 2021

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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, 2021, 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

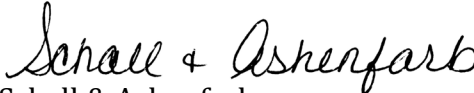
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brooklyn Charter School as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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 14, 2021, 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 14, 2021

BROOKLYN CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2021
(With comparative totals at June 30, 2020)

	<u>6/30/21</u>	<u>6/30/20</u>
Assets		
Cash and cash equivalents	\$387,928	\$211,164
Investments (Note 3)	2,144,374	1,789,540
Government grants receivable	150,463	123,813
Prepaid expenses and other receivables	39,348	15,761
Employee loans receivable	2,750	706
Restricted cash (Note 4)	75,126	75,075
Fixed assets, net (Note 5)	<u>142,729</u>	<u>74,397</u>
Total assets	<u><u>\$2,942,718</u></u>	<u><u>\$2,290,456</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$100,063	\$131,003
Accrued payroll and payroll related liabilities	421,420	455,301
Government grants advances - per pupil funding (Note 6)	48,297	0
Total liabilities	<u>569,780</u>	<u>586,304</u>
Net assets:		
Without donor restrictions	1,841,308	1,245,226
With donor restrictions (Note 7 and 8)	531,630	458,926
Total net assets	<u>2,372,938</u>	<u>1,704,152</u>
Total liabilities and net assets	<u><u>\$2,942,718</u></u>	<u><u>\$2,290,456</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, 2021
(With comparative totals for the year ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 6/30/21	Total 6/30/20
Public support and revenue:				
Public school district revenue: (Note 6)				
Resident student enrollment	\$3,359,727		\$3,359,727	\$3,553,016
Students with special education services	517,257		517,257	388,913
Total public school district revenue	<u>3,876,984</u>	<u>0</u>	<u>3,876,984</u>	<u>3,941,929</u>
Government grants	222,673		222,673	178,894
Contributions	10,340		10,340	23,829
In-kind contributions	1,415,594		1,415,594	1,253,314
Interest and dividends	30,236	4,317	34,553	43,314
Other income	3,942		3,942	39,950
Total public support and revenue	<u>5,559,769</u>	<u>4,317</u>	<u>5,564,086</u>	<u>5,481,230</u>
Expenses:				
Program services:				
Instructional support	4,164,763		4,164,763	4,301,607
Supporting services:				
Management and general	1,051,002		1,051,002	946,973
Total expenses	<u>5,215,765</u>	<u>0</u>	<u>5,215,765</u>	<u>5,248,580</u>
Change in net assets from operations	344,004	4,317	348,321	232,650
Non operating activity:				
Net realized and unrealized gain on investments	252,078	68,387	320,465	42,063
Change in net assets	596,082	72,704	668,786	274,713
Net assets - beginning of year	1,245,226	458,926	1,704,152	1,429,439
Net assets - end of year	<u><u>\$1,841,308</u></u>	<u><u>\$531,630</u></u>	<u><u>\$2,372,938</u></u>	<u><u>\$1,704,152</u></u>

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, 2021
(With comparative totals for the year ended June 30, 2020)

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total Expenses</u>	<u>Total Expenses</u>
	Instructional Support	Management and General	6/30/21	6/30/20
Salaries	\$2,246,168	\$508,169	\$2,754,337	\$2,918,021
Payroll taxes and employee benefits	564,191	127,642	691,833	724,069
Total personnel costs	<u>2,810,359</u>	<u>635,811</u>	<u>3,446,170</u>	<u>3,642,090</u>
Professional development	2,468	5,757	8,225	32,320
Professional fees		84,649	84,649	92,007
Student and staff recruitment	7,788	18,491	26,279	8,403
Supplies and materials	50,984	12,134	63,118	58,307
Office expense	31,146	8,044	39,190	46,993
Student services	17,422		17,422	20,206
Insurance	47,798	10,815	58,613	52,643
Technology	13,638	5,824	19,462	8,766
Occupancy and facility costs (in-kind)	1,154,420	261,174	1,415,594	1,253,314
Depreciation	28,740	6,502	35,242	30,784
Board expenses			0	909
Other		1,801	1,801	1,838
Total other than personnel costs	<u>1,354,404</u>	<u>415,191</u>	<u>1,769,595</u>	<u>1,606,490</u>
Total expenses	<u><u>\$4,164,763</u></u>	<u><u>\$1,051,002</u></u>	<u><u>\$5,215,765</u></u>	<u><u>\$5,248,580</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, 2021
(With comparative totals for the year ended June 30, 2020)

	<u>6/30/21</u>	<u>6/30/20</u>
Cash flows from operating activities:		
Change in net assets	\$668,786	\$274,713
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(320,465)	(42,063)
Depreciation	35,242	30,784
Changes in assets and liabilities:		
Government grants receivable - per pupil	48,297	10,038
Government grants receivable	(26,650)	(81,188)
Contributions receivable	0	15,000
Prepaid expenses and other receivables	(23,587)	(5,677)
Employee loans receivable	(2,044)	10,154
Accounts payable and accrued expenses	(30,940)	(16,463)
Accrued payroll and payroll related liabilities	(33,881)	11,962
Total adjustments	<u>(354,028)</u>	<u>(67,453)</u>
Net cash provided by operating activities	<u>314,758</u>	<u>207,260</u>
 Cash flows from investing activities:		
Purchase of furniture and equipment	(103,574)	(49,591)
Purchase of investments	(740,098)	(473,726)
Proceeds from sales of investments	705,729	430,605
Net cash used for investing activities	<u>(137,943)</u>	<u>(92,712)</u>
 Net increase in cash, cash equivalents, and restricted cash	176,815	114,548
 Cash, cash equivalents, and restricted cash - beginning of year	<u>286,239</u>	<u>171,691</u>
 Cash, cash equivalents, and restricted cash - end of year	<u><u>\$463,054</u></u>	<u><u>\$286,239</u></u>
 Reconciliation to statement of financial position:		
Cash and cash equivalents	387,928	211,164
Restricted cash	75,126	75,075
Total cash, cash equivalents, and restricted cash	<u><u>463,054</u></u>	<u><u>286,239</u></u>
 Supplemental disclosures:		
Interest and taxes paid	<u>\$0</u>	<u>\$0</u>
Noncash contributions	<u>\$0</u>	<u>\$0</u>

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

**BROOKLYN CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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 2020-2021 fiscal year with an average enrollment of approximately 208 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.

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

The School follows the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update (“ASU”) 2018-08 (“Topic 605”) for recording contributions. 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, 2021 or June 30, 2020. 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.

The School follows ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This requires that restricted cash and cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows.

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
- Payroll taxes and employee benefits
- 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, 2020, 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, 2018 and later are subject to examination by applicable taxing authorities.

l. New Accounting Pronouncements

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.

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.

The School is in the process of evaluating the impact these standards will have on future 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, 2021</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money markets	\$26,921	\$26,921	\$0	\$0
Equity mutual funds:				
U.S. large cap	834,081	834,081	0	0
EEFE equity	212,261	212,261	0	0
Japanese large cap	75,132	75,132	0	0
Asia ex-Japan equity	38,817	38,817	0	0
Emerging market equity	43,477	43,477	0	0
European large cap	58,746	58,746	0	0
Fixed income mutual funds:				
U.S. fixed income	335,045	335,045	0	0
Non-U.S. fixed income	279,910	279,910	0	0
Global fixed income	<u>239,984</u>	<u>239,984</u>	<u>0</u>	<u>0</u>
Total	<u>\$2,144,374</u>	<u>\$2,144,374</u>	<u>\$0</u>	<u>\$0</u>

	<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
EEFE 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>

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 - 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 5 - Fixed Assets

Fixed assets consist of the following:

	<u>6/30/21</u>	<u>6/30/20</u>
Furniture and equipment	\$721,657	\$618,083
Less: accumulated depreciation	<u>(578,928)</u>	<u>(543,686)</u>
Furniture and equipment, net	<u>\$142,729</u>	<u>\$74,397</u>

Note 6 - Government Grants (Advances)/ Receivable – per pupil funding

	<u>6/30/21</u>	<u>6/30/20</u>
Beginning grants advances	\$0	\$10,038
Funding based on allowable FTE's	3,876,984	3,941,929
Cash receipts	<u>(3,925,281)</u>	<u>(3,951,967)</u>
Ending grants advances	<u>(\$48,297)</u>	<u>\$0</u>

Note 7 - Net Assets With Donor Restrictions

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

	<u>June 30, 2021</u>			
	Beginning Balance <u>7/1/20</u>	<u>Increases</u>	Released from <u>Restrictions</u>	Ending Balance <u>6/30/21</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>449,752</u>	<u>72,704</u>	<u>0</u>	<u>522,456</u>
Total	<u>\$458,926</u>	<u>\$72,704</u>	<u>\$0</u>	<u>\$531,630</u>

June 30, 2020

	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>

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, 2021 and 2020.

Endowment Investment Policies

Endowment assets were pooled with other investments and follow organization-wide 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, 2021 and 2020.

Changes in endowment net assets can be summarized as follows:

	<u>June 30, 2021</u>		
	<u>Endowment Corpus</u>	<u>Endowment Earnings</u>	<u>Total</u>
Endowment net assets, beginning of year	\$366,667	\$83,085	\$449,752
Investment income	0	4,317	4,317
Net realized/unrealized gain	<u>0</u>	<u>68,387</u>	<u>68,387</u>
Endowment net assets, end of year	<u>\$366,667</u>	<u>\$155,789</u>	<u>\$522,456</u>
	<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>

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, 2021 and 2020. The total amount of employer contributions was \$35,378 and \$37,063 for the years ended June 30, 2021 and 2020, 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, 2021 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 70% and 72% of the School's total public support and revenue for the years ended June 30, 2021 and 2020, 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, 2021 that are available to meet cash needs for general expenditures within one year:

Cash and cash equivalents	\$387,928	
Investments	2,144,374	
Government grants receivable	150,463	
Employee loans receivable	<u>2,750</u>	
Total financial assets		\$2,685,515
Less amounts not available to be used within one year:		
Donor restricted assets		<u>(531,630)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$2,153,885</u>

Note 13 - Subsequent Events

Management has evaluated the impact of all subsequent events through October 14, 2021, which is the date that 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 14 - Other Matters

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. As of the date of these financial statements, many of the travel restrictions and stay at home orders have been lifted, however supply chains remain impacted. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact 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, 2021, 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 14, 2021.

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) as a basis for designing 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

Compliance and Other Matters

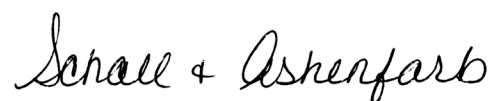
As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

Brooklyn Charter School's Response to Findings

The response from the School to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 14, 2021

**BROOKLYN CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

Current Year:

2021-001 – Reconciliation of per pupil revenue

Criteria: The School receives funding from the New York City Department of Education (“NYCDOE”) based on attendance of the students. The School is required to keep records of students and attendance which is used to update the NYCDOE’s attendance tracking system for each billing period. The School receives funding from NYCDOE based on this information. At the end of the year the School should reconcile its records with the NYCDOE to ensure the accuracy of the student’s attendance and proper revenue recognition.

Condition: Four students at Brooklyn Charter School only attended school during part of the year under audit and were included in the final billing as if they had attended for the full year.

Cause: The final reconciliation report was not reviewed and compared to the School’s attendance records timely, which resulted in a discrepancy in the bill submitted to the NYCDOE, and the amount of revenue recognized.

Effect: The School might be overpaid for the students that did not attend for part of the year.

Recommendation: A review of the attendance records and final billing of per pupil funding should be completed timely prior to submitting to the NYCDOE.

Views of Responsible Officials: See Corrective Action Plan attached.

Prior Year:

None



Joanne Hunt
Principal

Papmtata Sanders
Assistant Principal

October 14, 2021

Corrective Action Plan for Brooklyn Charter School

2021-001 – Government Grants Per Pupil Revenue Reconciliation

Significant Deficiency: Reconciliation of per pupil attendance The School receives funding from the New York City Department of Education (“NYCDOE”) based on attendance of the students. The School is required to keep records of students and attendance which is used to update the NYCDOE’s attendance tracking system for each billing period. The School receives funding from NYCDOE based on this information. At the end of the year the School reconciles its records with the NYCDOE to ensure the accuracy of the student’s attendance and that revenue was recognized properly. We noted that four students at Brooklyn Charter School only attended school during part of the year under audit and were included in the final billing as if they had attended the full year. The final reconciliation report was not reviewed and compared to the School’s attendance records timely, which resulted in a discrepancy in the bill submitted to the NYCDOE.

We recommend that the School perform a review of the attendance records and final billing of per pupil funding. This should be completed prior to submitting to the NYCDOE.

School’s Response

Beginning in fiscal year 22 the School will implement a more in depth review of attendance records in comparison to the NYCDOE’s records before submitting invoices. The Manager of Student Services, will do an analysis of attendance bi-monthly to make updates to students who are discharger before the end of the school year. The School will also have the Finance Manager review the records and per pupil invoices in detail as a second set of eyes to ensure that any discrepancies are rectified prior to the reconciliation submission.

Regards,

Ariel Arnold

Finance Manager

Brooklyn Charter School