



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

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

June 30, 2022

BROOKLYN CHARTER SCHOOL

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Independent Auditors' Report

To the Board of Trustees of
Brooklyn Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Brooklyn Charter School (the "School"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2022, and the changes in 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 the School'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 auditors' 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 GAAS and *Government 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

In performing an audit in accordance with GAAS and *Government 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 the School'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 the School's ability to continue as a going concern for a reasonable period of time.

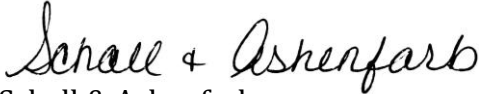
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the School's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 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 21, 2022, 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 21, 2022

BROOKLYN CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2022
(With comparative totals at June 30, 2021)

	<u>6/30/22</u>	<u>6/30/21</u>
Assets		
Cash and cash equivalents	\$630,391	\$387,928
Investments (Note 3)	593,195	1,621,918
Government grants receivable	294,900	150,463
Prepaid expenses and other receivables	47,655	39,348
Employee loans receivable	0	2,750
Fixed assets, net (Note 4)	308,291	142,729
Restricted cash (Note 5)	75,155	75,126
Investments restricted for endowment (Notes 3 and 9)	<u>485,346</u>	<u>522,456</u>
 Total assets	 <u><u>\$2,434,933</u></u>	 <u><u>\$2,942,718</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$126,742	\$100,063
Accrued payroll and payroll related liabilities	425,130	421,420
Deferred revenue	16,800	0
Government grants advances - per pupil funding (Note 6)	<u>11,712</u>	<u>48,297</u>
Total liabilities	<u><u>580,384</u></u>	<u><u>569,780</u></u>
Net assets:		
Without donor restrictions (Note 7)	1,318,803	1,841,308
With donor restrictions (Note 8)	<u>535,746</u>	<u>531,630</u>
Total net assets	<u><u>1,854,549</u></u>	<u><u>2,372,938</u></u>
 Total liabilities and net assets	 <u><u>\$2,434,933</u></u>	 <u><u>\$2,942,718</u></u>

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

BROOKLYN CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for the year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 6/30/22	Total 6/30/21
Public support and revenue:				
Public school district revenue: (Note 6)				
Resident student enrollment	\$2,899,745		\$2,899,745	\$3,359,727
Students with special education services	445,366		445,366	517,257
Total public school district revenue	3,345,111	0	3,345,111	3,876,984
Government grants	753,672		753,672	222,673
Contributions	5,894	50,400	56,294	10,340
In-kind contributions (Note 2g)	1,479,673		1,479,673	1,415,594
Interest and dividends	50,177	7,093	57,270	34,553
Other income	41,270		41,270	3,942
Release from restriction	9,174	(9,174)	0	0
Total public support and revenue	5,684,971	48,319	5,733,290	5,564,086
Expenses:				
Program services:				
Instructional support	4,728,578		4,728,578	4,164,763
Supporting services:				
Management and general	1,249,813		1,249,813	1,051,002
Total expenses	5,978,391	0	5,978,391	5,215,765
Change in net assets from operations	(293,420)	48,319	(245,101)	348,321
Non operating activity:				
Net realized and unrealized (loss)/gain on investments	(229,085)	(44,203)	(273,288)	320,465
Change in net assets	(522,505)	4,116	(518,389)	668,786
Net assets - beginning of year	1,841,308	531,630	2,372,938	1,704,152
Net assets - end of year	\$1,318,803	\$535,746	\$1,854,549	\$2,372,938

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

BROOKLYN CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for the year ended June 30, 2021)

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total Expenses</u>	<u>Total Expenses</u>
	<u>Instructional Support</u>	<u>Management and General</u>	<u>6/30/22</u>	<u>6/30/21</u>
Salaries	\$2,597,157	\$587,833	\$3,184,990	\$2,754,337
Payroll taxes and employee benefits	611,828	138,478	750,306	691,833
Total personnel costs	<u>3,208,985</u>	<u>726,311</u>	<u>3,935,296</u>	<u>3,446,170</u>
Professional development	9,023		9,023	8,225
Professional fees	3,190	117,034	120,224	84,649
Student and staff recruitment	4,191	43,513	47,704	26,279
Supplies and materials	101,684	26,350	128,034	63,118
Office expense	30,815	7,436	38,251	39,190
Student services	41,533		41,533	17,422
Insurance	54,978	12,445	67,423	58,613
Information technology	17,012	20,750	37,762	19,462
In-kind occupancy and facility costs (Note 2g)	1,206,579	273,094	1,479,673	1,415,594
Depreciation	50,588	11,450	62,038	35,242
Other		11,430	11,430	1,801
Total other than personnel costs	<u>1,519,593</u>	<u>523,502</u>	<u>2,043,095</u>	<u>1,769,595</u>
Total expenses	<u><u>\$4,728,578</u></u>	<u><u>\$1,249,813</u></u>	<u><u>\$5,978,391</u></u>	<u><u>\$5,215,765</u></u>

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

**BROOKLYN CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

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

	6/30/22	6/30/21
Cash flows from operating activities:		
Change in net assets	(\$518,389)	\$668,786
Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities:		
Net realized and unrealized loss/(gain) on investments	273,288	(320,465)
Depreciation	62,038	35,242
Changes in assets and liabilities:		
Government grants receivable	(144,437)	(26,650)
Prepaid expenses and other receivables	(8,307)	(23,587)
Employee loans receivable	2,750	(2,044)
Accounts payable and accrued expenses	26,679	(30,940)
Accrued payroll and payroll related liabilities	3,710	(33,881)
Deferred revenue	16,800	0
Government grants advances - per pupil funding	(36,585)	48,297
Total adjustments	195,936	(354,028)
Net cash (used for)/provided by operating activities	(322,453)	314,758
Cash flows from investing activities:		
Purchase of furniture and equipment	(227,600)	(103,574)
Purchase of investments	(403,057)	(740,098)
Proceeds from sales of investments	1,195,602	705,729
Net cash provided by/(used for) investing activities	564,945	(137,943)
Net increase in cash, cash equivalents and restricted cash	242,492	176,815
Cash, cash equivalents and restricted cash - beginning of year	463,054	286,239
Cash, cash equivalents and restricted cash - end of year	\$705,546	\$463,054
Reconciliation to statement of financial position:		
Cash and cash equivalents	\$630,391	\$387,928
Restricted cash	75,155	75,126
Total cash, cash equivalents and restricted cash	\$705,546	\$463,054
Supplemental disclosures:		
Interest and taxes paid	\$0	\$0
Noncash contributions	\$0	\$0

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

**BROOKLYN CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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 2021-2022 fiscal year with an average enrollment of approximately 175 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, 2025.

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

The School reports 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 requirements of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) 958-605 for recording contributions, which 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.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return or release from obligations and are recognized as income once conditions have been substantially met. Conditional pledges that have not been recognized amounted to \$324,141 at June 30, 2022. The pledges are conditional upon achieving certain performance goals and incurring qualifying expenditures.

The School's public-school district revenue and other government grants are primarily conditional, non-exchange transactions and fall under FASB ASC 958-605. Revenue from these transactions is recognized based on rates established by the School's funding sources and when performance related outcomes are achieved or qualifying expenditures are incurred 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, 2022 or June 30, 2021. 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 the 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 the NYCDOE at a charge of \$1.00 per annum and utilizes approximately 15,440 square feet. The School recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. Fair value is estimated using the average price per square foot of rental listings in the School's service area. The total amount recognized for donated facilities is approximately \$1,479,673 and \$1,415,594 for the years ended June 30, 2022 and June 30, 2021, respectively.

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.

Salaries were allocated using time and effort as a basis. The following expenses were allocated using the salary allocation as the basis:

- Payroll taxes and employee benefits
- Office expenses
- Insurance
- Information technology
- In-kind occupancy and facility costs
- Depreciation

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

i. Management Estimates

The preparation of financial statements in accordance 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. Actual results could differ from those estimates.

j. Advertising Costs

The cost of advertising is expensed as incurred.

k. 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, 2021, from which the summarized information was derived.

l. Accounting for Uncertainty of Income Taxes

The School does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2019 and later are subject to examination by applicable taxing authorities.

m. New Accounting Pronouncement

FASB issued Accounting Standards Update ("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 this standard 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.

The following summarizes the composition of investments, which have all been determined to be Level 1 investments:

	<u>06/30/22</u>	<u>06/30/21</u>
Money markets	\$15,327	\$26,921
Equity mutual funds:		
U.S. large cap	427,729	834,081
EEFE equity	103,877	212,261
Japanese large cap	28,690	75,132
Asia ex-Japan equity	19,076	38,817
Emerging market equity	0	43,477
European large cap	19,031	58,746
Fixed income mutual funds:		
U.S. fixed income	192,957	335,045
Non-U.S. fixed income	156,134	279,910
Global fixed income	<u>115,720</u>	<u>239,984</u>
Total	<u>\$1,078,541</u>	<u>\$2,144,374</u>
Investments	\$593,195	\$1,621,918
Investments restricted for endowment	<u>485,346</u>	<u>522,456</u>
Total	<u>\$1,078,541</u>	<u>\$2,144,374</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 - Fixed Assets

Fixed assets consist of the following:

	<u>6/30/22</u>	<u>6/30/21</u>
Furniture and equipment	\$495,485	\$721,657
Less: accumulated depreciation	<u>(187,194)</u>	<u>(578,928)</u>
Total fixed assets, net	<u>\$308,291</u>	<u>\$142,729</u>

Note 5 - Restricted Cash

An escrow account has been established to meet the requirement of the 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 - Government Grants (Advances)/ Receivable - Per Pupil Funding

	<u>6/30/22</u>	<u>6/30/21</u>
Beginning grants advances	(\$48,297)	\$0
Reversal of prior year advance	48,297	0
Funding based on allowable FTE's	3,345,111	3,876,984
Cash receipts	<u>(3,356,823)</u>	<u>(3,925,281)</u>
Ending grants advances	<u>(\$11,712)</u>	<u>(\$48,297)</u>

Note 7 - Net Assets Without Donor Restrictions - Board Designated

During 2021, the Board of Directors authorized the establishment of a \$250,000 board designated reserve, which has been funded utilizing a portion of the fiscal year 2021 surplus. An employee incentive plan is being developed with the goal of attracting and retaining highly qualified instructional staff. Appropriation from the board designated fund will not begin until fiscal year 2023.

Note 8 - Net Assets With Donor Restrictions

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

	<u>June 30, 2022</u>			
	Beginning Balance <u>7/1/21</u>	<u>Increases</u>	Released from <u>Restrictions</u>	Ending Balance <u>6/30/22</u>
W.E.A.L.T.H.Y. Program	\$7,946	\$0	(\$7,946)	\$0
Learning Partners Program	1,228	0	(1,228)	0
Summer Boost Program	<u>0</u>	<u>50,400</u>	<u>0</u>	<u>50,400</u>
Total program	9,174	50,400	(9,174)	50,400
Endowment fund (See Note 9)	<u>522,456</u>	<u>(37,110)</u>	<u>0</u>	<u>485,346</u>
Total	<u>\$531,630</u>	<u>\$13,290</u>	<u>(\$9,174)</u>	<u>\$535,746</u>

June 30, 2021

	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	<u>1,228</u>	<u>0</u>	<u>0</u>	<u>1,228</u>
Total program	9,174	0	0	9,174
Endowment fund (See Note 9)	<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>

Note 9 - 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, 2022 and 2021.

Endowment Investment Policies

Endowment assets were pooled with other investments and follow the 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, 2022 and 2021.

Changes in endowment net assets can be summarized as follows:

	<u>June 30, 2022</u>		
	<u>Endowment Corpus</u>	<u>Endowment Earnings</u>	<u>Total</u>
Endowment net assets, beginning of year	\$366,667	\$155,789	\$522,456
Investment income	0	7,093	7,093
Net realized/unrealized loss	<u>0</u>	<u>(44,203)</u>	<u>(44,203)</u>
Endowment net assets, end of year	<u>\$366,667</u>	<u>\$118,679</u>	<u>\$485,346</u>
	<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>

Note 10 - 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, 2022 and 2021. The total amount of employer contributions was \$38,673 and \$35,378 for the years ended June 30, 2022 and 2021, respectively.

Note 11 - Commitments and Contingencies

On July 1, 2005, the School and the 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. The 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.

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, 2022 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 12 - Significant Concentrations

Financial instruments, which potentially subject the School to a 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 the NYCDOE to carry out its operations. Revenue from the NYCDOE was 58% and 70% of the School's total public support and revenue for the years ended June 30, 2022 and 2021, respectively.

Note 13 - 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, 2022 that are available to meet cash needs for general expenditures within one year:

Cash and cash equivalents	\$630,391	
Investments	593,195	
Government grants receivable	294,900	
Accounts receivable	<u>19,940</u>	
Total		\$1,538,426
Less amounts not available to be used within one year:		
Board designated fund		(250,000)
Donor restricted assets		<u>(50,400)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$1,238,026</u>

Note 14 - Subsequent Events

Subsequent events have been evaluated through October 21, 2022, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.

Note 15 - 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 School 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 AUDITORS' 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, 2022, 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 21, 2022.

Report on 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.

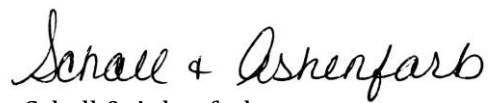
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 21, 2022

**BROOKLYN CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022**

Current Year:

None

Prior Year:

2021-01 - Reconciliation of per pupil revenue - The matter has been corrected. Brooklyn Charter keeps quarterly attendance reports which are reconciled to NYC Department of Education NYCD'E's tracking system for each billing period.