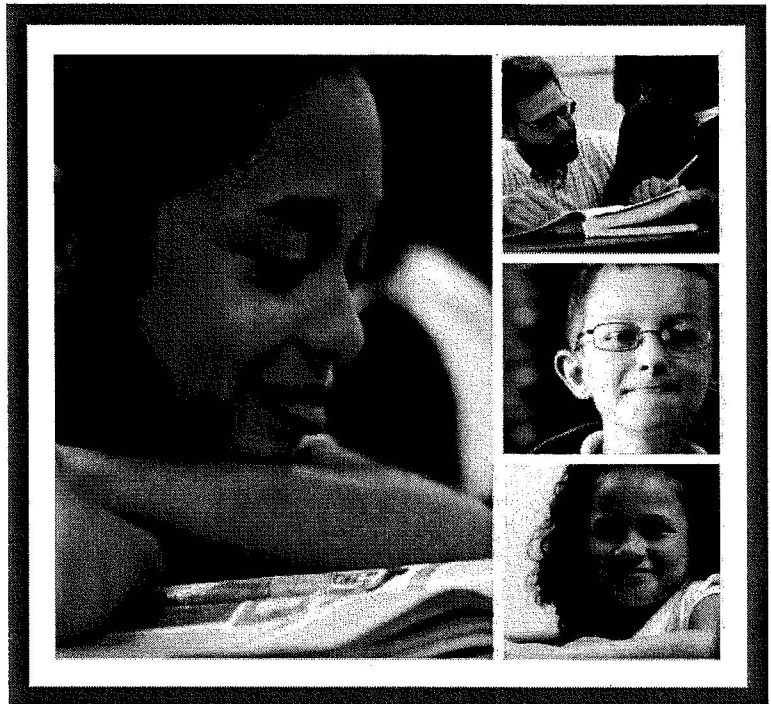


BROOKLYN DREAMS CHARTER SCHOOL



Financial Statements, Additional
Information, and Federal Awards
Supplemental Information as of and for the
Years Ended June 30, 2015 and 2014, and
Independent Auditor's Reports

BROOKLYN DREAMS CHARTER SCHOOL

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Independent Auditor's Report

To the Board of Directors
Brooklyn Dreams Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Brooklyn Dreams Charter School (the "School"), which comprise the statement of financial position as of June 30, 2015 and 2014 and the related statements of activities and changes in net assets and cash flows for the years 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 audits. We conducted our audits 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 audits 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 Dreams Charter School as of June 30, 2015 and 2014 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



To the Board of Directors
Brooklyn Dreams Charter School

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Brooklyn Dreams Charter School's financial statements. The schedule of expenditures of federal awards, as identified in the table of contents, and supplemental schedule of functional expenses, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The supplemental schedule of functional expenses has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015 on our consideration of Brooklyn Dreams Charter 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 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 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 Brooklyn Dreams Charter School's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 21, 2015



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October 21, 2015

To the Board of Directors
Brooklyn Dreams Charter School

We have audited the financial statements of Brooklyn Dreams Charter School (the "School") as of and for the year ended June 30, 2015 and have issued our report thereon dated October 21, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 18, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of Brooklyn Dreams Charter School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of Brooklyn Dreams Charter School's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of Brooklyn Dreams Charter School, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 21, 2015 regarding our consideration of Brooklyn Dreams Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

October 21, 2015

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated May 27, 2015.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Brooklyn Dreams Charter School are described in Note 2 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2015.

We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no significant balances, amounts, or disclosures in the financial statements based on sensitive management estimates.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

To the Board of Directors
Brooklyn Dreams Charter School

October 21, 2015

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the School, and business plans and strategies that may affect the risks of material misstatement with management each year prior to our retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 21, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Recommendations and Related Information

In accordance with the Charter School Audit Guide as issued by the New York State Education Department, the School must maintain an up-to-date certificate of occupancy. The School did not maintain an up-to-date certificate of occupancy in accordance with the charter agreement and section 2851(2)(j) of the New York Education Law for the year ended June 30, 2015.

To the Board of Directors
Brooklyn Dreams Charter School

October 21, 2015


As of October 21, 2015, the School has a temporary certificate of occupancy. We recommend the board of directors and management continue to correspond with the State of New York and assist, where appropriate, in maintaining appropriate occupancy documentation to be in compliance with charter agreement and the New York Education Laws.

This information is intended solely for the use of the board of directors and management of Brooklyn Dreams Charter School and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC



Michael A. Lamfers, CPA
Partner



Michelle M. Goss, CPA
Partner

BROOKLYN DREAMS CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash	\$ 108,499	\$ 97,974
Due from governmental revenue sources	<u>256,276</u>	<u>183,534</u>
Total current assets	<u>364,775</u>	<u>281,508</u>
NON-CURRENT ASSETS:		
Capital assets	29,040	29,040
Less accumulated depreciation	<u>(10,940)</u>	<u>(7,228)</u>
Total capital assets, net of accumulated depreciation	<u>18,100</u>	<u>21,812</u>
TOTAL	<u>\$ 382,875</u>	<u>\$ 303,320</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Deferred revenue	\$ 1,402	\$ 16,174
Contracted service fee payable	<u>329,900</u>	<u>242,363</u>
Total liabilities	<u>331,302</u>	<u>258,537</u>
NET ASSETS:		
Unrestricted and undesignated	<u>51,573</u>	<u>44,783</u>
TOTAL	<u>\$ 382,875</u>	<u>\$ 303,320</u>

See notes to financial statements.

BROOKLYN DREAMS CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
REVENUES, GAINS AND OTHER SUPPORT:		
State aid	\$ 7,784,113	\$6,647,560
Other state sources	365,720	192,275
Federal sources	606,531	494,162
Private sources	<u>28,695</u>	<u>39,580</u>
Total revenues, gains and other support	8,785,059	7,373,577
EXPENSES:		
Contracted service fee	8,774,557	7,368,883
Depreciation	<u>3,712</u>	<u>2,904</u>
Total expenses	<u>8,778,269</u>	<u>7,371,787</u>
CHANGE IN UNRESTRICTED NET ASSETS	6,790	1,790
NET ASSETS:		
Beginning of year	<u>44,783</u>	<u>42,993</u>
End of year	<u>\$ 51,573</u>	<u>\$ 44,783</u>

See notes to financial statements.

BROOKLYN DREAMS CHARTER SCHOOL

STATEMENT OF CASH FLOWS YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
State aid	\$ 7,783,057	\$ 6,629,177
Other state sources	350,543	207,452
Federal sources	534,846	417,970
Private sources	29,099	39,723
Payments for services rendered	<u>(8,687,020)</u>	<u>(7,289,634)</u>
Net cash provided by operating activities	<u>10,525</u>	<u>4,688</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of other equipment	<u>-</u>	<u>(985)</u>
NET INCREASE IN CASH	10,525	3,703
CASH — Beginning of year	<u>97,974</u>	<u>94,271</u>
CASH — End of year	<u><u>\$ 108,499</u></u>	<u><u>\$ 97,974</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 6,790	\$ 1,790
Depreciation	3,712	2,904
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in due from governmental revenue sources	(72,742)	(94,574)
Change in deferred revenue	(14,772)	15,319
Change in contracted service fee payable	<u>87,537</u>	<u>79,249</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 10,525</u></u>	<u><u>\$ 4,688</u></u>

See notes to financial statements.

BROOKLYN DREAMS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

1. NATURE OF OPERATIONS

Brooklyn Dreams Charter School (the "School") is a public charter school as defined by Article 56 of the New York State Education Law which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The School operates under a charter approved by the State University of New York Charter Schools Institute, which is responsible for oversight of the School's operations. The charter expired March 30, 2015 and has been renewed through March 30, 2018. The School provides education, at no cost to the parent, to students in kindergarten through the seventh grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

The School's primary source of revenue is provided by the State of New York and consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and was funded through payments from July 2014 through May 2015 for the year ended June 30, 2015.

The Board of Trustees of the School has entered into a management agreement (the "agreement") with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the School operates. The agreement will continue until termination or expiration of the charter, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the School or NHA.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the School from all revenue sources and NHA pays the Board of Directors an amount equal to the lesser of two percent of state per pupil aid or \$35,000. These funds are property of the School and may be used by the School at the discretion of the board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The financial statements have been prepared in accordance with Section 2851 of the Education Law of the State of New York which requires such statements to be prepared on the accrual basis of accounting in accordance with generally accepted accounting principles accepted in the United States of America for not-for-profit organizations.

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 disclosures 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.

Cash — Cash as of June 30, 2015 and 2014 represents bank deposits which are covered by federal depository insurance.

Deferred Revenue — Deferred revenue as of June 30, 2015 and 2014 consists of funds received for services which have not yet been performed.

Contracted Service Fee Payable — Contracted service fee payable represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the services agreement.

Capital Assets — Capital assets, which include other equipment, are reported at historical cost. Capital assets are defined by the School as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year.

Other equipment is depreciated using the straight-line method over useful lives of 3–10 years.

The Financial Statements — The financial statements are presented as follows:

Net assets and changes therein are classified and reported as follows:

- *Unrestricted Net Assets* — Net assets which are not subject to donor imposed or governmental stipulations.

Revenues and contributions are reported as follows:

- Revenues, gains and other support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed or governmental restrictions. Expenses are reported as decreases in unrestricted net assets. Other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or governmental restriction. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.
- Revenue is recorded when earned, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Income Taxes — The School operates as a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School has received notification from the Internal Revenue Service (IRS) that they are considered exempt from Federal income tax under Section 501(c)(3) of the internal revenue code.

The School has evaluated its position regarding the accounting for uncertain income tax

positions and does not believe that it has any material uncertain tax positions. The School recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and other information available at the reporting date and is subject to management's judgment. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations prior to June 30, 2012.

3. RISK MANAGEMENT

The School is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2015 or 2014, and claims did not exceed coverage less retained risk deductible amounts in the past fiscal year.

4. CONTINGENCIES

The School has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

5. CAPITAL ASSETS

Capital asset activity of the school was as follows:

Year ended June 30, 2015	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Equipment	\$ 29,040	\$ -	\$ -	\$ 29,040
Total capital assets at historical cost	<u>29,040</u>	<u>-</u>	<u>-</u>	<u>29,040</u>
Less accumulated depreciation — equipment	<u>7,228</u>	<u>3,712</u>	<u>-</u>	<u>10,940</u>
Total accumulated depreciation	<u>7,228</u>	<u>3,712</u>	<u>-</u>	<u>10,940</u>
Total capital asset activity, net	<u>\$ 21,812</u>	<u>\$ (3,712)</u>	<u>\$ -</u>	<u>\$ 18,100</u>

Year ended June 30, 2014	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Equipment	<u>\$ 28,055</u>	<u>\$ 985</u>	<u>\$ -</u>	<u>\$ 29,040</u>
Total capital assets at historical cost	<u>28,055</u>	<u>985</u>	<u>-</u>	<u>29,040</u>
Less accumulated depreciation — equipment	<u>4,324</u>	<u>2,904</u>	<u>-</u>	<u>7,228</u>
Total accumulated depreciation	<u>4,324</u>	<u>2,904</u>	<u>-</u>	<u>7,228</u>
Total capital asset activity, net	<u>\$ 23,731</u>	<u>\$ (1,919)</u>	<u>\$ -</u>	<u>\$ 21,812</u>

6. OPERATING LEASE

The School has entered into a sublease agreement with NHA for a facility to house the School. The lease term is from July 1, 2014 through June 30, 2015. Annual rental payments required by the lease are \$2,354,748 payable in twelve monthly payments of \$196,229. This lease is automatically renewed on a year-to-year basis unless a notice of non-renewal is provided by either the Academy or NHA.

The School subsequently renewed the sublease with NHA for the period of July 1, 2015 through June 30, 2016, at the same rental rate.

7. FUNCTIONAL EXPENSES

The School provides a comprehensive education programs to enrolled students. Expenses incurred for these programs and other expenses are as follows:

	2015	2014
Program services:		
Regular education	\$ 6,944,964	\$ 6,300,244
Special education	493,593	407,919
Supporting services — management and general	<u>1,336,000</u>	<u>660,720</u>
Total contracted service fee	8,774,557	7,368,883
Depreciation Expense	<u>3,712</u>	<u>2,904</u>
Total Expenses	<u>\$ 8,778,269</u>	<u>\$ 7,371,787</u>

8. SUBSEQUENT EVENTS

Events or transactions for the year ended June 30, 2015 have been evaluated through October 21, 2015, the date the financial statements were available to be issued. The financial statements and the notes thereto do not reflect events or transactions after this date.

ADDITIONAL INFORMATION

BROOKLYN DREAMS CHARTER SCHOOL

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015 WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2014

	No. of Positions	2015							2014	
		Program Services				Supporting Services				
		Regular Education	Special Education	Other Education	Total	Fund- raising	Management and General	Total	Total	
Personnel Services Costs										
Administrative Staff Personnel	-	\$ 520,283	\$ -	\$ -	\$ 520,283	\$ -	\$ -	\$ -	\$ 520,283	\$ 427,698
Instructional Personnel	-	2,006,400	279,282	-	2,285,682	-	-	-	2,285,682	1,900,202
Non-Instructional Personnel	-	9,517	-	-	9,517	-	-	-	9,517	59,059
Total Salaries and Staff	-	2,536,200	279,282	-	2,815,482	-	-	-	2,815,482	2,386,959
Fringe Benefits & Payroll Taxes		576,848	97,074	-	673,922	-	-	-	673,922	525,023
Retirement		37,348	4,579	-	41,927	-	-	-	41,927	35,959
Management Company Fees		-	-	-	-	-	-	-	-	-
Legal Service		18,852	-	-	18,852	-	-	-	18,852	5,325
Accounting / Audit Services		10,404	-	-	10,404	-	151,292	151,292	161,696	87,085
Other Purchased / Professional / Consulting Services		12,250	105,503	-	117,753	-	365,185	365,185	482,938	312,755
Building and Land Rent / Lease		2,364,757	-	-	2,364,757	-	-	-	2,364,757	2,364,758
Repairs & Maintenance		238,906	-	-	238,906	-	16,194	16,194	255,100	224,083
Insurance		37,801	-	-	37,801	-	-	-	37,801	34,272
Utilities		140,869	-	-	140,869	-	-	-	140,869	128,341
Supplies / Materials		241,008	4,245	-	245,253	-	-	-	245,253	221,407
Equipment / Furnishings		123,716	1,539	-	125,255	-	-	-	125,255	128,794
Staff Development		77,860	1,371	-	79,231	-	6,669	6,669	85,900	78,443
Marketing / Recruitment		15,443	-	-	15,443	-	110,902	110,902	126,345	59,038
Technology		43,511	-	-	43,511	-	153,517	153,517	197,028	106,344
Food Service		357,367	-	-	357,367	-	-	-	357,367	305,066
Student Services		29,317	-	-	29,317	-	59,027	59,027	88,344	73,088
Office Expense		27,926	-	-	27,926	-	20,637	20,637	48,563	44,393
Depreciation		3,712	-	-	3,712	-	-	-	3,712	2,904
OTHER		54,581	-	-	54,581	-	452,577	452,577	507,158	247,750
Total Expenses		\$6,948,676	\$493,593	\$ -	\$7,442,269	\$ -	\$ 1,336,000	\$1,336,000	\$8,778,269	\$7,371,787

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 Management and the Board of Directors
Brooklyn Dreams Charter School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Brooklyn Dreams Charter School (the "School"), which comprise the statement of financial position as of June 30, 2015 and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated October 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered Brooklyn Dreams Charter 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 basic 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 School'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.

To Management and the Board of Directors
Brooklyn Dreams Charter School

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brooklyn Dreams Charter School's basic 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

Grand Rapids, Michigan
October 21, 2015

SUPPLEMENTAL INFORMATION



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Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Directors
Brooklyn Dreams Charter School

Report on Compliance for the Major Federal Program

We have audited Brooklyn Dreams Charter School's (the "School") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2015. Brooklyn Dreams Charter School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Brooklyn Dreams Charter School's major federal program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Brooklyn Dreams Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Brooklyn Dreams Charter School's compliance.



To the Board of Directors
Brooklyn Dreams Charter School

Opinion on the Major Federal Program

In our opinion, Brooklyn Dreams Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Brooklyn Dreams Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Brooklyn Dreams Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

Grand Rapids, Michigan
October 21, 2015

BROOKLYN DREAMS CHARTER SCHOOL**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	State/Pass- through Grantor's Number	Expenditures
Child Nutrition Cluster			
U.S. Department of Agriculture—			
Passed through New York State Education Department:			
National School Breakfast Program	10.553		\$ 105,394
National School Lunch Program	10.555		<u>189,718</u>
Total U.S. Department of Agriculture			295,112
U.S. Department of Education:			
Passed through New York State Education Department:			
Title I, Grants to Local Educational Agencies	84.010	0021144765	36,039
		0021154765	<u>213,814</u>
Total Title I, Grants to Local Education Agencies			249,853
Title II, Improving Teacher Quality	84.367	0147144765	1,304
		0147154765	<u>11,278</u>
Total Title II, Improving Teacher Quality			12,582
Passed through New York City Department of Education—			
IDEA Cluster - IDEA, Part B	84.027	2015	<u>48,984</u>
Total U.S. Department of Education			<u>311,419</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 606,531</u>

Brooklyn Dreams Charter School

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Brooklyn Dreams Charter School under programs of the federal government for the year ended June 30, 2015. Expenditures reported on the Schedule are reported on the same basis of accounting as the financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Brooklyn Dreams Charter School, it is not intended to and does not present the financial position, changes in net assets or cash flows, if applicable, of Brooklyn Dreams Charter School. Pass-through entity identifying numbers are presented where available.

Note 2 - Grant Auditor Report

Management has utilized the Federal/State Grant Payments - End of Year Report as published by the New York State Education Department in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Brooklyn Dreams Charter School

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title 1, Part A
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None