



Financial Statements, Additional Information, and  
Federal Awards Supplemental Information as of  
and for the Years Ended June 30, 2013 and  
2012, and Independent Auditor's Reports



**BROOKLYN DREAMS  
CHARTER SCHOOL**

A PUBLIC CHARTER SCHOOL MANAGED BY NATIONAL HERITAGE ACADEMIES

# **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, 2013 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 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 Dreams Charter School as of June 30, 2013 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Brooklyn Dreams Charter School

***Report on Prior Year Financial Statements and Restatement***

The financial statements of Brooklyn Dreams Charter School as of June 30, 2012 were audited by other auditors, whose report dated October 29, 2012 expressed an unqualified opinion on those statements.

***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 basic 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 basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 basic 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 28, 2013 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, 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.

*Plant & Moran, PLLC*

October 28, 2013

# **BROOKLYN DREAMS CHARTER SCHOOL**

## **STATEMENT OF FINANCIAL POSITION JUNE 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 94,271	\$ 122,829
Due from governmental revenue sources	<u>88,960</u>	<u>174,816</u>
Total current assets	<u>183,231</u>	<u>297,645</u>
<b>NON-CURRENT ASSETS:</b>		
Capital assets	28,055	28,055
Less accumulated depreciation	<u>(4,324)</u>	<u>(2,162)</u>
Total capital assets, net of accumulated depreciation	<u>23,731</u>	<u>25,893</u>
<b>TOTAL</b>	<u><u>\$ 206,962</u></u>	<u><u>\$ 323,538</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Deferred revenue	\$ 855	\$ 10,661
Accounts payable	-	156
Contracted service fee payable	<u>163,114</u>	<u>239,165</u>
Total liabilities	<u>163,969</u>	<u>249,982</u>
<b>NET ASSETS:</b>		
Unrestricted and undesignated	<u>42,993</u>	<u>73,556</u>
<b>TOTAL</b>	<u><u>\$ 206,962</u></u>	<u><u>\$ 323,538</u></u>

See notes to financial statements.

**BROOKLYN DREAMS CHARTER SCHOOL**

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
REVENUES, GAINS AND OTHER SUPPORT:		
State aid	\$ 5,570,730	\$ 3,322,285
Other state sources	134,248	134,023
Federal sources	507,488	503,468
Local sources	-	31,367
Private sources	34,174	21,092
In-kind contribution — NHA	<u>436,431</u>	<u>1,770,625</u>
Total revenues, gains and other support	6,683,071	5,782,860
EXPENSES:		
Contracted service fee	6,711,472	5,742,142
Depreciation	<u>2,162</u>	<u>2,162</u>
Total expenses	<u>6,713,634</u>	<u>5,744,304</u>
CHANGE IN UNRESTRICTED NET ASSETS	(30,563)	38,556
NET ASSETS:		
Beginning of year	<u>73,556</u>	<u>35,000</u>
End of year	<u>\$ 42,993</u>	<u>\$ 73,556</u>

See notes to financial statements.

# **BROOKLYN DREAMS CHARTER SCHOOL**

## **STATEMENT OF CASH FLOWS YEARS ENDED JUNE 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS PROVIDED (USED IN) BY OPERATING ACTIVITIES:</b>		
State aid	\$ 5,570,730	\$ 3,338,179
Other state sources	124,264	148,722
Federal sources	593,345	543,330
Local sources	-	127,069
Private sources	34,351	21,412
Payments for services rendered	<u>(6,351,248)</u>	<u>(4,137,840)</u>
Net cash (used in) provided by operating activities	<u>(28,558)</u>	<u>40,872</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES:</b>		
Purchase of capital assets	<u>-</u>	<u>(28,055)</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(28,558)</b>	<b>12,817</b>
<b>CASH — Beginning of year</b>	<b><u>122,829</u></b>	<b><u>110,012</u></b>
<b>CASH — End of year</b>	<b><u>\$ 94,271</u></b>	<b><u>\$ 122,829</u></b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (30,563)	\$ 38,556
Depreciation	2,162	2,162
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in due from governmental revenue sources	85,856	201,458
Change in accounts payable	(156)	156
Change in deferred revenue	(9,806)	(34,981)
Change in contracted service fee payable	<u>(76,051)</u>	<u>(166,479)</u>
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ (28,558)</u></b>	<b><u>\$ 40,872</u></b>
<b>NON-CASH ACTIVITY — In-kind contribution from NHA</b>	<b><u>\$ 436,431</u></b>	<b><u>\$ 2,243,088</u></b>

See notes to financial statements.

# **BROOKLYN DREAMS CHARTER SCHOOL**

## **NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

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### **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 expires March 12, 2015 and is subject to renewal. Management believes the charter will be renewed in the ordinary course of business. The School provides education, at no cost to the parent, to students in kindergarten through the fifth 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 2012 through May 2013 for the year ended June 30, 2013.

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. These funds are property of the School and may be used by the School at the discretion of the board. Revenues — In-kind contribution — NHA represent a contribution granted by NHA for the excess of School expenditures over public revenues available. Revenues — private sources — NHA represent a contribution granted by NHA for the excess of School expenditures over public revenues available.

### **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, 2013 and 2012, represents bank deposits which are covered by federal depository insurance.

**Deferred Revenue** — Deferred revenue as of June 30, 2013 and 2012, 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 agreement.

**Capital Assets** — Capital assets, which include other equipment, are reported in 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.

**Reclassification** — Certain amounts as of June 30, 2012 have been reclassified to conform to the June 30, 2013 presentation.

**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, 2010.

### 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 2013 or 2012, 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:

<b>Year ended June 30, 2013</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Equipment	<u>\$ 28,055</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,055</u>
Total capital assets at historical cost	<u>28,055</u>	<u>-</u>	<u>-</u>	<u>28,055</u>
Less accumulated depreciation — equipment	<u>2,162</u>	<u>2,162</u>	<u>-</u>	<u>4,324</u>
Total accumulated depreciation	<u>2,162</u>	<u>2,162</u>	<u>-</u>	<u>4,324</u>
Total capital asset activity, net	<u>\$ 25,893</u>	<u>\$ (2,162)</u>	<u>\$ -</u>	<u>\$ 23,731</u>

<b>Year ended June 30, 2012</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Equipment	<u>\$ -</u>	<u>\$ 28,055</u>	<u>\$ -</u>	<u>\$ 28,055</u>
Total capital assets at historical cost	<u>-</u>	<u>28,055</u>	<u>-</u>	<u>28,055</u>
Less accumulated depreciation — equipment	<u>-</u>	<u>2,162</u>	<u>-</u>	<u>2,162</u>
Total accumulated depreciation	<u>-</u>	<u>2,162</u>	<u>-</u>	<u>2,162</u>
Total capital asset activity, net	<u>\$ -</u>	<u>\$ 25,893</u>	<u>\$ -</u>	<u>\$ 25,893</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, 2012 through June 30, 2013. Annual rental payments required by the lease are \$2,354,749 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, 2013 through June 30, 2014, 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:

	<b>2013</b>	<b>2012</b>
Program services:		
Regular education	\$ 5,800,960	\$ 4,939,553
Special education	343,782	353,346
Supporting services — management and general	<u>566,730</u>	<u>449,243</u>
Total contracted service fee	6,711,472	5,742,142
Depreciation expense	<u>2,162</u>	<u>2,162</u>
Total expenses	<u>\$ 6,713,634</u>	<u>\$ 5,744,304</u>

## **8. SUBSEQUENT EVENTS**

Events or transactions occurring June 30, 2013 have been evaluated through October 28, 2013, 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, 2013 WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2012**

	2013				2012			
	Program Services		Supporting Services		Program Services		Supporting Services	
	Regular Education	Special Education	Management and General	Total	Regular Education	Special Education	Management and General	Total
Contracted service fee:								
Salaries and wages	\$ 1,698,366	\$ 170,734	\$ -	\$ 1,869,100	\$ 1,294,674			
Retirement contributions	29,284	2,200	-	31,484	24,350			
Other employee benefits	277,535	38,074	-	315,609	201,155			
Payroll taxes	148,223	16,224	-	164,447	112,750			
Accounting fees	10,116	-	62,196	72,312	58,621			
Supplies	216,523	4,115	5,082	225,720	254,454			
Postage and shipping	5,046	-	-	5,046	3,337			
Occupancy	2,714,896	-	-	2,714,896	2,756,435			
Food service	274,596	-	-	274,596	210,683			
Equipment rental and maintenance	117,985	-	-	117,985	114,104			
Printing and publications	29,277	-	-	29,277	21,531			
Travel	2,689	-	-	2,689	3,557			
Professional development and meetings	71,402	4,814	-	76,216	63,253			
Professional fees	134,012	107,621	-	241,633	242,085			
Instructional support	-	-	62,702	62,702	24,584			
Academic and general support	-	-	201,992	201,992	162,103			
Enrollment and parent relations	-	-	18,292	18,292	9,999			
Board support	-	-	38,863	38,863	39,857			
Human resources	-	-	91,300	91,300	44,744			
Support services	-	-	12,637	12,637	23,727			
Technology services	1,374	-	54,372	55,746	29,126			
Marketing and business development	2,415	-	19,294	21,709	13,669			
Insurance	31,159	-	-	31,159	22,801			
Miscellaneous	36,062	-	-	36,062	10,543			
Total contracted service fee	5,800,960	343,782	566,730	6,711,472	5,742,142			
Depreciation	2,162	-	-	2,162				
Total expenses	\$ 5,803,122	\$ 343,782	\$ 566,730	\$ 6,713,634	\$ 5,744,304			

**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 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 basic financial statements of Brooklyn Dreams Charter School (the "School"), which comprise the basic statement of financial position as of June 30, 2013 and the related basic statements of activities and changes in net assets and cash flows for the year then ended, and related notes to the basic financial statements and have issued our report thereon dated October 28, 2013.

**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 opinions 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 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.

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 28, 2013

## **SUPPLEMENTAL INFORMATION**



Report on Compliance for Each Major Federal Programs;  
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Directors  
Brooklyn Dreams Charter School

**Report on Compliance for Each 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 each of its major federal programs for the year ended June 30, 2013. Brooklyn Dreams Charter School's major federal programs are 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 each of its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of Brooklyn Dreams Charter School's major federal programs 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 its major federal program. However, our audit does not provide a legal determination of Brooklyn Dreams Charter School's compliance.

***Opinion on Each 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 each of its major federal programs for the year ended June 30, 2013.

To the Board of Directors  
Brooklyn Dreams Charter School

### **Report on Internal Control Over Compliance**

The 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 each of its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs 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 28, 2013

**BROOKLYN DREAMS CHARTER SCHOOL****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>State/Pass- through Grantor's Number</b>	<b>Expenditures</b>
Child Nutrition Cluster -			
U.S. Department of Agriculture -			
Passed through New York State Education Department:			
National School Breakfast Program	10.553		\$ 59,212
National School Lunch Program	10.555		<u>134,862</u>
Total U.S. Department of Agriculture			194,074
U.S. Department of Education:			
Passed through New York State Education Department:			
Title I, Part A Cluster -			
Title I, Grants to Local Educational Agencies	84.010	0021124765	25,012
		0021134765	<u>186,598</u>
Total Title I, Part A Cluster			211,610
Title II, Improving Teacher Quality	84.367	0147124765	3,500
		0147134765	<u>7,612</u>
Total Title II, Improving Teacher Quality			11,112
Federal Charter School Grant	84.282	0089124046	74,387
Passed through New York City Department of Education -			
IDEA Cluster - IDEA, Part B	84.027	84K791	<u>16,305</u>
Total U.S. Department of Education			<u>313,414</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 507,488</u>

## **BROOKLYN DREAMS CHARTER SCHOOL**

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### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2013**

#### **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, 2013. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic 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, 2013****Section I - Summary of Auditor's Results****Financial Statements**

Type of auditor's report issued: Unqualified

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: Unqualified

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 Cluster
84.282	Charter School Grant

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

**BROOKLYN DREAMS CHARTER SCHOOL**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2013**

**Section II - Financial Statement Audit Findings**

None

**Section III - Federal Program Audit Findings**

None

October 28, 2013

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, 2013 and have issued our report thereon dated October 28, 2013. 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 April 6, 2013, 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 28, 2013 regarding our consideration of Brooklyn Dreams Charter School internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

October 28, 2013

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our communication about planning matters on June 17, 2013.

### **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.

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

There are 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.

#### ***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 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 28, 2013.

### ***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.

This report is intended solely for the use of 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.

To the Board of Directors  
Brooklyn Dreams Charter School

October 28, 2013

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**

A handwritten signature in black ink, appearing to read "Michael Lamfers", written in a cursive style.

Michael A. Lamfers, CPA  
Partner

A handwritten signature in black ink, appearing to read "Michelle M. Goss", written in a cursive style.

Michelle M. Goss, CPA  
Partner