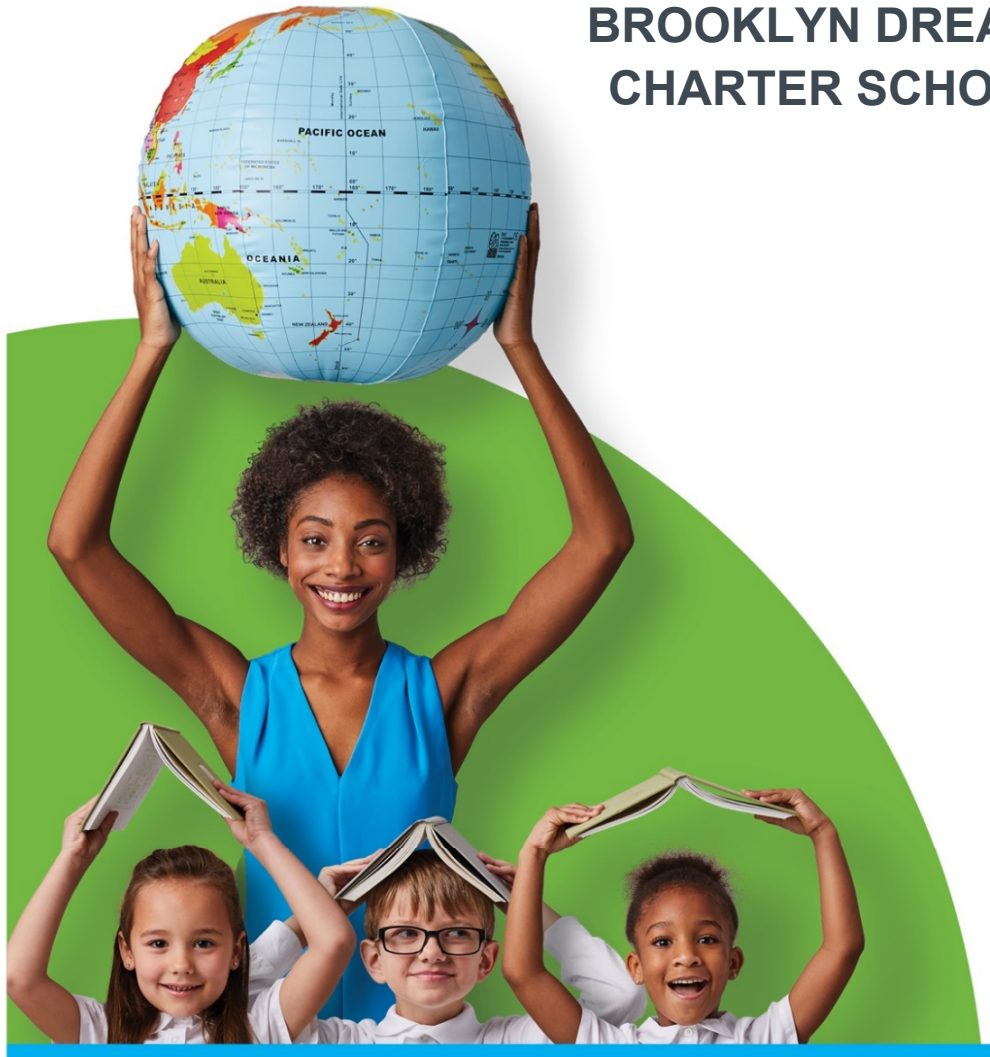


BROOKLYN DREAMS CHARTER SCHOOL



Financial Statements, Supplementary
Information, and Uniform Guidance Schedules
as of and for the Year Ended June 30, 2022,
and Independent Auditors' Reports

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BROOKLYN DREAMS CHARTER SCHOOL

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Independent Auditors' Report

Board of Trustees
Brooklyn Dreams Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Brooklyn Dreams Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and change in net assets without donor restriction, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. 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 Brooklyn Dreams Charter 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 Brooklyn Dreams Charter 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 generally accepted auditing standards 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 Brooklyn Dreams Charter 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 Brooklyn Dreams Charter 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses for the year ended June 30, 2022 on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 14 as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023, 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 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 Brooklyn Dreams Charter 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 Brooklyn Dreams Charter School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
January 25, 2023

BROOKLYN DREAMS CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

CURRENT ASSETS

Cash	\$	162,462
Due from governmental revenue sources		<u>525,909</u>

Total Current Assets 688,371

NON-CURRENT ASSETS

Restricted cash		<u>76,969</u>
-----------------	--	---------------

TOTAL \$ 765,340

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Deferred revenue	\$	217,230
Accounts payable		100
Contracted service fee payable		<u>172,130</u>

Total Liabilities 389,460

NET ASSETS

Net Assets, without donor restriction		<u>375,880</u>
---------------------------------------	--	----------------

TOTAL \$ 765,340

BROOKLYN DREAMS CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION YEAR ENDED JUNE 30, 2022

REVENUES, GAINS AND OTHER SUPPORT

Public School District

Resident Student Enrollment	\$ 10,472,603
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Students with Disabilities	1,230,111
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Grants and Contracts

Federal grants	1,399,536
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Federal IDEA	139,573
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Other	<u>76,237</u>
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Total Revenues, Gains and Other Support	<u>13,318,060</u>
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EXPENSES

Contracted service fee	13,053,855
------------------------	------------

Board funds	13,895
-------------	--------

Depreciation	<u>676</u>
--------------	------------

Total Expenses	<u>13,068,426</u>
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CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	249,634
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NET ASSETS, WITHOUT DONOR RESTRICTION

Beginning of year	<u>126,246</u>
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End of year	<u><u>\$ 375,880</u></u>
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BROOKLYN DREAMS CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Fundraising	Total
Contracted Service Fee				
Total personnel services costs	\$ 5,356,999	\$ -	\$ -	\$ 5,356,999
Fringe benefits and payroll taxes	917,537	-	-	917,537
Retirement	100,935	-	-	100,935
Legal service	46,700	-	-	46,700
Accounting / Audit services	35,004	157,424	-	192,428
Other purchased / Professional / Consulting services	615,259	550,007	-	1,165,266
Building and land rent / Lease	2,514,684	-	-	2,514,684
Repairs and maintenance	367,781	31,983	-	399,764
Insurance	45,961	-	-	45,961
Utilities	134,691	-	-	134,691
Supplies / Materials	294,128	-	-	294,128
Equipment / Furnishings	153,400	-	-	153,400
Staff Development	26,766	-	-	26,766
Marketing / Recruitment	224,252	321,412	-	545,664
Technology	106,743	267,667	-	374,410
Food Service	317,438	-	-	317,438
Student services	87,635	276,047	-	363,682
Office expense	47,678	5,724	-	53,402
Other	50,000	-	-	50,000
Total Contracted Service Fee	11,443,591	1,610,264	-	13,053,855
Board Funds	13,895	-	-	13,895
Depreciation	676	-	-	676
Total Expenses	<u>\$ 11,458,162</u>	<u>\$ 1,610,264</u>	<u>\$ -</u>	<u>\$ 13,068,426</u>

See notes to financial statements

BROOKLYN DREAMS CHARTER SCHOOL

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

State aid	\$ 11,768,458
Other state sources	5,706
Federal sources	1,777,360
Private sources	65,339
Payments for services rendered	<u>(13,580,884)</u>

Net Cash Provided by Operating Activities 35,979

Beginning of year 203,452

End of year \$ 239,431

RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR
RESTRICTION TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Change in net assets	\$ 249,634
Depreciation	676
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Due from governmental revenue sources	115,599
Accounts payable	100
Deferred revenue	183,204
Contracted service fee payable	<u>(513,234)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 35,979

BROOKLYN DREAMS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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 School Institute, which is responsible for oversight of the School's operations. The charter expires June 30, 2023 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 eighth 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 2021 through May 2022 for the year ended June 30, 2022.

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 Trustees an amount equal to the lessor of two percent of state per pupil aid or \$50,000. 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 accounting principles generally accepted in the United States of America for not-for-profit organizations.

BROOKLYN DREAMS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Restricted Cash – Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution should it occur.

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position to the amounts presented in the statement of cash flows at June 30, 2022:

Cash	\$	162,462
Restricted cash		76,969
	\$	<u>239,431</u>

Deferred Revenue — Deferred revenue as of June 30, 2022 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.

Net Assets — Are presented as follows:

- *Net assets without donor restriction* – Net assets which are not subject to donor imposed or governmental stipulations.
- *Net assets with donor restriction* – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restriction if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities and change in net assets without donor restriction as net assets released from restrictions. The School had no net assets with donor restriction at June 30, 2022.

BROOKLYN DREAMS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and contributions are reported as follows:

- Revenues, gains and other support are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed or governmental restrictions. Expenses are reported as decreases in net assets without donor restriction. Other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or governmental restriction. Expiration of net assets with donor restriction that are temporary in nature (i.e., the donor-stipulated purposes has been fulfilled and/or the stipulated time 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. Management has assessed the need for an allowance and has determined that such an allowance is not necessary.

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.

Accordingly, no provision for federal income taxes has been made.

Functional Expense Allocation — The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Accounting for Uncertainty of Income Taxes — The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2019.

3. LIQUIDITY

The School had \$688,371 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$162,462 and amounts due from governmental revenue sources of \$525,909 at June 30, 2022. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

BROOKLYN DREAMS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

3. LIQUIDITY *(continued)*

The School has a goal to maintain financial assets, which consist of cash and short-term receivables on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$2,178,000 at June 30, 2022.

While the School does not currently carry financial assets in excess of 60 days of normal operating expenses, due to their management agreement with NHA, NHA is required make contributions to the School if the School's expenditures exceed the School's revenue during the year. The School will continue to rely on funding received from The New York City Department of Education to cover its future operating costs (see Note 7).

4. 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 2022, and claims did not exceed coverage less retained risk deductible amounts in the past fiscal year.

5. 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.

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, 2021 through June 30, 2022. Annual rental payments required by the lease were \$2,354,748 payable in twelve monthly payments of \$196,229. Building and land rent, and lease for the year ended June 30, 2022 was \$2,514,684. This lease is automatically renewed on a year-to-year basis unless a notice of non-renewal is provided by either the School or NHA. The School subsequently renewed the sublease with NHA for the period of July 1, 2022 through June 30, 2023 at the same rental rate. The lease agreement can be cancelled upon termination of the NHA services agreement.

7. CONCENTRATION OF REVENUE AND SUPPORT

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the year ended June 30, 2022, the School received approximately 88% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

BROOKLYN DREAMS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

8. SUBSEQUENT EVENTS

Events or transactions for the year ended June 30, 2022, have been evaluated through January 25, 2023, 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.

9. RISKS AND UNCERTAINTIES

The School's operations and financial performance may be affected by the COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the School may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in state and local per pupil operating revenue, shortfalls and variations in enrollment, and operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

* * * * *

Brooklyn Dreams Charter School

Supplementary Information

June 30, 2022

BROOKLYN DREAMS CHARTER SCHOOL

**SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

			Program Services				Supporting Services			Total
			Regular Education	Special Education	Other Education	Total	Fundraising	Management and General	Total	
Personnel Services Costs										
Administrative Staff Personnel	9		\$ 725,929	\$ -	\$ -	\$ 725,929	\$ -	\$ -	\$ -	\$ 725,929
Instructional Personnel	55		3,713,573	831,747	-	4,545,320	-	-	-	4,545,320
Non-Instructional Personnel	2		95,341	-	-	95,341	-	-	-	95,341
Total personnel services costs	66		4,534,843	831,747	-	5,366,590	-	-	-	5,366,590
Fringe benefits and payroll taxes			769,996	147,541	-	917,537	-	-	-	917,537
Retirement			81,392	19,543	-	100,935	-	-	-	100,935
Legal service			46,700	-	-	46,700	-	-	-	46,700
Accounting / Audit services			35,004	-	-	35,004	-	157,424	157,424	192,428
Other Purchased / Professional / Consulting services			393,721	224,588	-	618,309	-	550,007	550,007	1,168,316
Building and land rent / Lease			1,992,887	521,797	-	2,514,684	-	-	-	2,514,684
Repairs & Maintenance			291,466	76,315	-	367,781	-	31,983	31,983	399,764
Insurance			36,424	9,537	-	45,961	-	-	-	45,961
Utilities			106,743	27,948	-	134,691	-	-	-	134,691
Supplies / Materials			294,128	-	-	294,128	-	-	-	294,128
Equipment / Furnishings			121,570	31,830	-	153,400	-	-	-	153,400
Staff development			27,420	500	-	27,920	-	-	-	27,920
Marketing / Recruitment			224,352	-	-	224,352	-	321,412	321,412	545,764
Technology			73,160	33,583	-	106,743	-	267,667	267,667	374,410
Food service			317,438	-	-	317,438	-	-	-	317,438
Student services			87,635	-	-	87,635	-	276,047	276,047	363,682
Office expense			47,678	-	-	47,678	-	5,724	5,724	53,402
Depreciation			676	-	-	676	-	-	-	676
Other			50,000	-	-	50,000	-	-	-	50,000
Total Expenses			<u>\$ 9,533,233</u>	<u>\$ 1,924,929</u>	<u>\$ -</u>	<u>\$11,458,162</u>	<u>\$ -</u>	<u>\$ 1,610,264</u>	<u>\$ 1,610,264</u>	<u>\$ 13,068,426</u>

See independent auditor's report

Brooklyn Dreams Charter School

Uniform Guidance
Schedules and Reports

June 30, 2022

Brooklyn Dreams Charter School

Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Pass-Through New York State Education Department: Covid-19 - Pandemic EBT Administrative Costs	10.649	210980	\$ -	\$ 676
Pass-Through New York State Education Department: <i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	221970	-	115,988
National School Lunch Program	10.555	221960	-	326,727
Total Child Nutrition Cluster			-	442,715
Total U.S. Department of Agriculture			-	443,391
<u>U.S. Department of Education</u>				
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021-21-4765	-	57,110
Title I Grants to Local Educational Agencies	84.010	0021-22-4765	-	287,092
			-	344,202
English Language Acquisition State Grants	84.365	0293-21-4765	-	12,409
English Language Acquisition State Grants	84.365	0293-22-4765	-	565
			-	12,974
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-4765	-	49,244
			-	49,244
Student Support and Academic Enrichment Program	84.424	0204-21-4765	-	27,898
Student Support and Academic Enrichment Program	84.424	0204-22-4765	-	2,772
			-	30,670
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-4765	-	15,585
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4765	-	376,258
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4765	-	127,212
			-	519,055
Total U.S. Department of Education			-	956,145
Total Expenditures of Federal Awards			\$ -	\$ 1,399,536

See independent auditors' report and notes to schedule of expenditures of federal awards

Brooklyn Dreams Charter School

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Brooklyn Dreams Charter School (the "School"), under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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

**Board of Trustees
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 financial statements of Brooklyn Dreams Charter School (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and change in net assets without donor restriction, 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 January 25, 2023.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

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*.

The School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

PKF O'Connor Davies, LLP

Harrison, New York
January 25, 2023

**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditors' Report

**Board of Trustees
Brooklyn Dreams Charter School**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Brooklyn Dreams Charter School's (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
January 25, 2023

Brooklyn Dreams Charter School

Schedule of Findings and Questioned Costs Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

X yes _____ none reported

Noncompliance material to the financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

84.367

Supporting Effective Instruction State Grants
(Formerly Improving Teacher Quality State Grants)

84.425D

Education Stabilization Fund/Elementary and
Secondary School Emergency Relief Fund

84.425D

Education Stabilization Fund/Elementary and
Secondary School Emergency Relief Fund II

84.425U

Education Stabilization Fund/Elementary and
Secondary School Emergency Relief Fund ARP

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

Brooklyn Dreams Charter School

Schedule of Findings and Questioned Costs (*continued*) Year Ended June 30, 2022

Section II – Financial Statement Findings

2022-001- General Ledger Maintenance and Account Analysis

Criteria

An effective financial closing process provides the School with accurate and timely financial statements. All significant accounts should be reconciled timely and regularly to ensure that financial records are accurate and to facilitate the preparation of financial statements at year end.

Condition

Account analysis schedules were not fully reconciled and supported by all the backup documentation. Improvements are needed in the financial statement closing process to address the accuracy and timeliness of the School's year-end financial reporting.

Cause

The finance department experienced significant turnover and was understaffed during the time of audit fieldwork.

Effect

The School's system of internal control is not effective for managing its resources and resulted in difficulties with meeting external deadlines for submission of the audited financial statements.

Recommendation

We recommend that the School assess the adequacy of resources in the finance department in relation to its periodic and year end reporting responsibilities. The School may consider an increased level of financial analysis of significant accounts on a regular basis, as well as providing additional support to the finance department in the area of financial reporting.

Views of Responsible Officials

See management corrective action plan in Appendix A.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instance of noncompliance and none of the costs tested which were reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV – Prior Year Findings

There were no findings in the prior year.



Brooklyn Dreams Charter School

June 30, 2022

Corrective Action Plan

Finding Number: 2022-001

Condition: Account analysis schedules were not fully reconciled and supported by all the backup documentation. Improvements are needed in the financial statement closing process to address the accuracy and timeliness of the School's year-end financial reporting.

Planned Corrective Action: The School's audit was delayed due to turnover and staffing issues within NHA's audit function as well as the substantial amount of single audit testing that was required as a result of the ESSER grants. NHA is now fully staffed and equipped to handle the additional compliance testing and will continue to provide resources in this area to prevent delays in the future.

Contact person responsible for corrective action: Bob Owen

Anticipated Completion Date: 4/30/2023

Brooklyn Dreams Charter School

Independent Auditors' Report on Communication of Internal Control Matters

June 30, 2022

Board of Trustees
Brooklyn Dreams Charter School

In planning and performing our audit of the financial statements of Brooklyn Dreams Charter School (the "School") as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiency in the School's internal control presented in Addendum A to be a significant deficiency.

We have other observations and recommendations that are opportunities for strengthening internal control and/or operating efficiency, presented in Addendum B to this letter.

This communication is intended solely for the information and use of management, the Board of Trustees, federal, state, and local awarding agencies, The Charter Schools Institute of the State University of New York, The State Education Department of the State University of New York, and others within the School and is not intended to be used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by the personnel of the School during the course of our audit.

PKF O'Connor Davies, LLP

Harrison, New York
January 25, 2023

Addendum A

Deficiencies in Internal Control that We Consider to be Significant Deficiencies

1. General Ledger Maintenance and Account Analysis

During our audit we noted account analysis schedules were not fully reconciled and supported by all the backup documentation. Improvements are needed in the financial statement closing process to address the accuracy and timeliness of the School's year-end financial reporting.

We recommend that the School assess the adequacy of resources in the finance department in relation to its periodic and year end reporting responsibilities. The School may consider an increased level of financial analysis of significant accounts on a regular basis, as well as providing additional support to the finance department in the area of financial reporting.

Addendum B

Other Observations and Recommendations for Strengthening Internal Control and/or Operating Efficiency

2. Maintenance of Student Files

During our test of 22 student files, we noted four students files did not contain medical records, birth certificate, and proof of residency.

In an effort to ensure that student records are complete, we recommend that the school's checklist be utilized periodically to ensure that information is complete and updated for each student file. Management should follow up to obtain missing information for student files. All current and new student files should be annually reviewed by the School to ensure that adequate follow-up with the student's parents or guardian can be made to obtain missing student records.

Brooklyn Dreams Charter School

Independent Auditors' Report on Communication of Internal Control Matters

June 30, 2022

Board of Trustees
Brooklyn Dreams Charter School

In planning and performing our audit of the financial statements of Brooklyn Dreams Charter School (the "School") as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, 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.

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PKF O'Connor Davies, LLP

Harrison, New York
January 25, 2023

Addendum A

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