

Explore Charter Schools of Brooklyn

Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Reports

June 30, 2022 and 2021

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Independent Auditors' Report

Board of Trustees
Explore Charter Schools of Brooklyn

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Explore Charter Schools of Brooklyn (the "School"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years 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 the School as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school for the year ended June 30, 2022 on pages 18 through 22 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 23 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 October 25, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 25, 2022

Explore Charter Schools of Brooklyn

Statements of Financial Position

	June 30,	
	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash	\$ 9,216,784	\$ 10,726,744
Grants and contracts receivable	1,865,587	2,495,922
Prepaid expenses and other current assets	<u>1,491,314</u>	<u>651,294</u>
Total Current Assets	12,573,685	13,873,960
Investments	4,457,184	4,623,346
Property and equipment, net	3,145,808	2,888,149
Restricted cash	<u>300,855</u>	<u>300,798</u>
	<u><u>\$ 20,477,532</u></u>	<u><u>\$ 21,686,253</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,597,280	\$ 1,217,858
Accrued payroll and payroll taxes	2,799,650	3,475,999
Refundable advances	195,538	134,388
Due to related party	<u>349,767</u>	<u>1,994</u>
Total Current Liabilities	<u>4,942,235</u>	<u>4,830,239</u>
Net Assets, Without Donor Restrictions		
Undesignated	12,035,297	13,356,014
Board-designated	<u>3,500,000</u>	<u>3,500,000</u>
Total Net Assets, Without Donor Restrictions	<u>15,535,297</u>	<u>16,856,014</u>
	<u><u>\$ 20,477,532</u></u>	<u><u>\$ 21,686,253</u></u>

See notes to financial statements

Explore Charter Schools of Brooklyn

Statements of Activities

	Year Ended June 30,	
	2022	2021
OPERATING REVENUE		
State and local per pupil operating revenue		
General education	\$ 32,010,455	\$ 33,181,507
Special education	4,788,412	4,932,977
Federal grants	4,587,672	3,102,919
Federal E-Rate and IDEA	632,878	547,132
State grants	155,523	165,696
Total Operating Revenue	<u>42,174,940</u>	<u>41,930,231</u>
EXPENSES		
Program Services		
Regular education	24,646,760	24,884,897
Special education	10,869,240	10,494,150
Total Program Services	<u>35,516,000</u>	<u>35,379,047</u>
Supporting Services		
Management and general	<u>7,866,158</u>	<u>7,064,213</u>
Total Expenses	<u>43,382,158</u>	<u>42,443,260</u>
 (Deficit) from Operations	 <u>(1,207,218)</u>	 <u>(513,029)</u>
SUPPORT AND OTHER REVENUE		
Gain on forgiveness of Paycheck		
Protection Program loan	-	4,901,564
Contributions	35,700	14,500
Interest and other income	44,912	19,395
Unrealized loss on investments	(194,111)	(10,625)
Total Support and Other Revenue	<u>(113,499)</u>	<u>4,924,834</u>
 Change in Net Assets	 (1,320,717)	 4,411,805
NET ASSETS		
Beginning of year	<u>16,856,014</u>	<u>12,444,209</u>
 End of year	 <u>\$ 15,535,297</u>	 <u>\$ 16,856,014</u>

See notes to financial statements

Explore Charter Schools of Brooklyn

Statement of Functional Expenses Year Ended June 30, 2022

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	73	\$ 4,607,888	\$ 2,375,552	\$ 6,983,440	\$ 1,223,029	\$ 8,206,469
Instructional personnel	237	9,251,111	4,838,647	14,089,758	2,460,538	16,550,296
Total Personnel Services Costs	<u>310</u>	<u>13,858,999</u>	<u>7,214,199</u>	<u>21,073,198</u>	<u>3,683,567</u>	<u>24,756,765</u>
Fringe benefits and payroll taxes		3,591,262	1,875,109	5,466,371	955,041	6,421,412
Retirement		178,716	93,153	271,869	47,625	319,494
Management company fees		2,068,824	462,416	2,531,240	1,328,049	3,859,289
Legal services		-	-	-	23,082	23,082
Accounting / audit services		-	-	-	77,174	77,174
Other purchased / professional / consulting services		1,103,945	349,528	1,453,473	860,883	2,314,356
Repairs and maintenance		45,667	12,180	57,847	10,208	68,055
Insurance		186,794	42,384	229,178	40,443	269,621
Utilities		202,680	48,329	251,009	44,296	295,305
Supplies / materials		777,370	176,952	954,322	-	954,322
Equipment / furnishings		51,159	11,100	62,259	10,986	73,245
Staff development		325,625	74,086	399,711	69,899	469,610
Marketing / recruitment		373,287	87,524	460,811	170,855	631,666
Technology		1,014,987	237,171	1,252,158	220,970	1,473,128
Food service		28,191	6,960	35,151	-	35,151
Student services		510,090	124,119	634,209	-	634,209
Office expense		183,556	20,395	203,951	203,951	407,902
Depreciation and amortization		13,634	3,037	16,671	90,435	107,106
Other		131,974	30,598	162,572	28,694	191,266
Total Expenses		<u>\$ 24,646,760</u>	<u>\$ 10,869,240</u>	<u>\$ 35,516,000</u>	<u>\$ 7,866,158</u>	<u>\$ 43,382,158</u>

See notes to financial statements

Explore Charter Schools of Brooklyn

Statement of Functional Expenses Year Ended June 30, 2021

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	77	\$ 4,583,275	\$ 2,235,453	\$ 6,818,728	\$ 1,052,701	\$ 7,871,429
Instructional personnel	235	10,541,737	5,095,136	15,636,873	2,405,831	18,042,704
Total Personnel Services Costs	<u>312</u>	<u>15,125,012</u>	<u>7,330,589</u>	<u>22,455,601</u>	<u>3,458,532</u>	<u>25,914,133</u>
Fringe benefits and payroll taxes		3,529,547	1,713,931	5,243,478	807,593	6,051,071
Retirement		146,609	70,745	217,354	33,241	250,595
Management company fees		2,135,693	475,260	2,610,953	1,369,872	3,980,825
Legal services		-	-	-	14,599	14,599
Accounting / audit services		-	-	-	77,974	77,974
Other purchased / professional / consulting services		864,780	208,285	1,073,065	526,859	1,599,924
Repairs and maintenance		11,785	3,208	14,993	2,646	17,639
Insurance		158,863	35,893	194,756	34,369	229,125
Utilities		196,915	45,729	242,644	42,819	285,463
Supplies / materials		554,677	127,450	682,127	-	682,127
Equipment / furnishings		111,140	26,706	137,846	24,326	162,172
Staff development		172,332	39,990	212,322	51,587	263,909
Marketing / recruitment		237,362	55,305	292,667	77,018	369,685
Technology		1,307,070	302,024	1,609,094	283,959	1,893,053
Food service		1,263	200	1,463	-	1,463
Student services		114,774	25,640	140,414	-	140,414
Office expense		141,572	15,730	157,302	157,302	314,604
Depreciation and amortization		13,863	3,103	16,966	88,104	105,070
Other		61,640	14,362	76,002	13,413	89,415
Total Expenses		<u>\$ 24,884,897</u>	<u>\$ 10,494,150</u>	<u>\$ 35,379,047</u>	<u>\$ 7,064,213</u>	<u>\$ 42,443,260</u>

See notes to financial statements

Explore Charter Schools of Brooklyn

Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,320,717)	\$ 4,411,805
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	107,106	105,070
Unrealized loss on investments	194,111	10,625
Gain on forgiveness of Paycheck Protection Program loan	-	(4,901,564)
Changes in operating assets and liabilities		
Grants and contracts receivable	630,335	(1,551,800)
Prepaid expenses and other current assets	(840,020)	(460,348)
Accounts payable and accrued expenses	379,422	572,164
Accrued payroll and payroll taxes	(676,349)	920,839
Refundable advances	61,150	134,388
Due to related party	347,773	(149,970)
Net Cash from Operating Activities	<u>(1,117,189)</u>	<u>(908,791)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(364,765)	(134,406)
Interest reinvestments	(27,949)	-
Purchase of investments	-	(2,769,230)
Proceeds from maturity of investments	-	2,750,000
Net Cash from Investing Activities	<u>(392,714)</u>	<u>(153,636)</u>
Net Change in Cash and Restricted Cash	(1,509,903)	(1,062,427)
CASH AND RESTRICTED CASH		
Beginning of year	<u>11,027,542</u>	<u>12,089,969</u>
End of year	<u>\$ 9,517,639</u>	<u>\$ 11,027,542</u>

See notes to financial statements

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2022 and 2021

1. Organization and Tax Status

Explore Charter Schools of Brooklyn (the “School”) is a New York State, not-for-profit educational corporation that operates charter schools in the borough of Brooklyn, New York. The School’s mission is to provide its students with the academic skills and critical thinking abilities they need to succeed in a college preparatory high school.

The accompanying financial statements include the following charter schools collectively forming the School:

Explore Charter School (“Explore”) - The School was granted a provisional charter on June 12, 2001, valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York (“Board of Regents”). Explore obtained a renewal to its charter expiring on July 31, 2024.

Explore Empower Charter School (“Empower”) - The School was granted a provisional charter on December 16, 2008, valid for a term of five years and renewable upon expiration by the Board of Regents. Empower obtained a renewal to its charter expiring on July 31, 2025.

Explore Excel Charter School (“Excel”) - The School was granted a provisional charter on December 14, 2010, valid for a term of five years and renewable upon expiration by the Board of Regents. Excel obtained a renewal to its charter expiring on July 31, 2024.

Explore Exceed Charter School (“Exceed”) - The School was granted a provisional charter on September 13, 2011, valid for a term of five years and renewable upon expiration by the Board of Regents. Exceed obtained a renewal to its charter expiring on July 31, 2025.

On November 14, 2013, the Board of Trustees for each charter school approved a plan of merger of Explore, Empower, Excel, and Exceed. On February 10, 2015, the merger was approved by the Board of Regents, The Charter Schools Institute of the State University of New York, and The New York City Department of Education. Effective July 1, 2015, Explore, Empower, and Exceed merged into Excel, which serves as the sole surviving education corporation. Excel changed its name to Explore Charter Schools of Brooklyn and all other schools ceased to exist as legal entities.

The School provided education to approximately 1,900 students in grades kindergarten through eighth grade during the 2021-2022 academic year.

The New York City Department of Education provides free lunches and transportation directly to a majority of the School’s students. Such costs are not included in these financial statements.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees. Board designated net assets were established by the Board of Trustees to provide cash reserve for unseen facility, personnel, and other issues.

Net assets with donor restrictions – 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 restrictions 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 restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2022 and 2021.

Fair Value Measurements

The School follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investment Valuation

Certificates of deposit and money market funds are valued at the amounts deposited plus accrued interest, which approximates fair value.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of change in net assets.

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 statements of financial position to the amounts presented in the statements of cash flows as of June 30:

	2022	2021
Cash	\$ 9,216,784	\$ 10,726,744
Restricted cash	300,855	300,798
	<u>\$ 9,517,639</u>	<u>\$ 11,027,542</u>

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$5,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset which is thirty-three and a half years. Purchased property and equipment are recorded at cost at the date of acquisition. Maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Furniture and fixtures	5 years
Computers and equipment	3 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2022 and 2021.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time it is recognized as revenue.

Revenue and Support

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions support if they are received with donor stipulations. Contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Marketing and Recruitment

The School uses marketing and recruitment specifically aimed at hiring staff and obtaining new students. Accordingly, all costs in marketing and recruitment are allocated to program and management and general expenditures and expensed as incurred. For the years ended June 30, 2022 and 2021, marketing and recruiting expenses totaled \$631,666 and \$369,685.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the School's ongoing services. Non-operating activities include revenue and support from non-governmental and other sources that include contributions revenue, gain on forgiveness of Paycheck Protection Program loan, return on investments and other activities considered to be of a more non-recurring nature.

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.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Accounting for Uncertainty in 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.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 25, 2022.

3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state, city entitlements and grants. The School expects to collect these receivables within one year. Management has assessed the need for an allowance and has determined that such an allowance is not necessary.

4. Fair Value of Investments

The School's investments as of June 30, 2022 and 2021 consist of the following:

	2022		
	Level 1	Level 2	Total
Money market funds	\$ 144,801	\$ -	\$ 144,801
Certificates of deposit	-	2,856,221	2,856,221
US treasury notes	1,456,162	-	1,456,162
	<u>\$ 1,600,963</u>	<u>\$ 2,856,221</u>	<u>\$ 4,457,184</u>

	2021		
	Level 1	Level 2	Total
Money market funds	\$ 2,850,788	\$ -	\$ 2,850,788
Certificates of deposit	-	1,772,558	1,772,558
	<u>\$ 2,850,788</u>	<u>\$ 1,772,558</u>	<u>\$ 4,623,346</u>

Interest income from investments reported in the statements of activities within interest and other income for the years ended June 30, 2022 and 2021 was \$27,950 and \$8,770.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2022 and 2021

5. Related Party Transactions (not disclosed elsewhere)

The School is affiliated with Explore Schools, Inc., ("ESI"), a not-for-profit corporation established under the laws of the State of New York on July 31, 2008. ESI supports the School by providing educational models, recruiting, leadership coaching and professional development, start-up funding, governance, and operational support. The School is affiliated with ESI through common management.

The School entered into a management agreement with ESI through June 30, 2016 to provide the School with educational management services and designs. Pursuant to the agreement, ESI is to select and implement educational programs, coaching and professional development to school-based leadership, manage the School's business administration and support the Board of Trustees in all governance issues. As compensation to ESI for these services, the School paid an annual fee of 12% of the School's general education per pupil operating revenue. Management fee expense for the years ended June 30, 2022 and 2021 was \$3,859,289 and \$3,980,825.

For operational efficiency and purchasing power, the School shares certain expenses with ESI. Net shared operational expenses consisting primarily of medical benefits, charged to the School for the years ended June 30, 2022 and 2021 was \$1,808,828 and \$1,614,919. The net balance due to ESI at June 30, 2022 and 2021 was \$349,767 and \$1,994.

6. Property and Equipment

Property and equipment, net consists of the following as of June 30:

	2022	2021
Computers and equipment	\$ -	\$ 54,122
Furniture and fixtures	44,515	44,515
Leasehold improvements	3,609,887	3,245,122
	3,654,402	3,343,759
Accumulated depreciation and amortization	(508,594)	(455,610)
	<u>\$ 3,145,808</u>	<u>\$ 2,888,149</u>

Property and equipment with a cost basis and accumulated depreciation of \$54,122 were disposed of during the year ended June 30, 2022. There were no dispositions during the year ended June 30, 2021.

Explore Charter Schools of Brooklyn

Notes to Financial Statements June 30, 2022 and 2021

7. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30:

	2022	2021
Cash	\$ 9,216,784	\$ 10,726,744
Grants and contracts receivable	1,865,587	2,495,922
	11,082,371	13,222,666
Board designated net assets	(3,500,000)	(3,500,000)
	<u>\$ 7,582,371</u>	<u>\$ 9,722,666</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in savings accounts and other highly liquid instruments until it is required for operational use. At June 30, 2022 and 2021 the Board of Trustees has designated \$3,500,000 of net assets without donor restrictions that could be drawn upon through board resolution and can be made available for current operations. In the event of an unanticipated liquidity need, the School could draw upon investments in US treasury notes, certificates of deposit and money market funds to cover any temporary shortfall in funding. 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 10).

8. Employee Benefit Plan

The School maintains a defined contribution 403(b) plan covering all eligible employees. Under this plan, employer contributions are discretionary and are based on a percentage of employees' salaries as determined by the School's Board of Trustees. The School matched 50% of the employees' elective contributions not to exceed 10% of the employees' salary for the years ended June 30, 2022 and 2021. The total employer contribution did not exceed 5% of the employees' salary. Retirement expense incurred by the School for the years ended June 30, 2022 and 2021 amounted to \$319,494 and \$250,595.

9. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000. Investments are maintained at a broker which insures the balance up to \$500,000 with Securities Investor Protection Corporation insurance. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2022 and 2021, approximately \$9,267,000 and \$10,777,000 of cash was maintained with an institution in excess of FDIC limits.

Explore Charter Schools of Brooklyn

Notes to Financial Statements

June 30, 2022 and 2021

10. 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 years ended June 30, 2022 and 2021, the School received approximately 88% and 81% of its 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.

11. School Facilities

The School has an agreement with the New York City Department of Education ("NYCDOE") to share public school open space at no annual cost. The School's management does not anticipate this agreement will be terminated in the near future. The School is not responsible for rent, utilities, custodial services, maintenance, and school safety services other than those required for days and times when traditional NYCDOE schools are not in service. The School was unable to determine a value for the contributed space and related services and did not record any value for use of donated facilities or services.

12. Paycheck Protection Program Loan Payable

On June 5, 2020, the School qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified PPP lender, for an aggregate principal amount of \$4,901,564 (the "PPP Loan"). The PPP Loan bore interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, had a term of two years, and was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the PPP upon the School's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the School. The School applied for full forgiveness of the PPP Loan with respect to these covered expenses.

The SBA has stated it will review the needs certification on all loans over \$2,000,000. After the review, the SBA may determine that the School did not meet the need criteria to apply for the PPP Loan. In such a circumstance, the School may be forced to return part or all of the PPP Loan proceeds plus pay the accrued and unpaid interest. The School believes it was eligible to receive the PPP Loan proceeds.

On June 19, 2021, the PPP Loan was forgiven in full by the SBA. The loan forgiveness of \$4,901,564 is included on the accompanying statements of activities under gain on forgiveness of Paycheck Protection Program loan.

Explore Charter Schools of Brooklyn

Notes to Financial Statements June 30, 2022 and 2021

13. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

14. Risks and Uncertainties

The School's operations and financial performance may be affected by the recent 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.

Explore Charter Schools of Brooklyn

Supplementary Information

June 30, 2022

Explore Charter Schools of Brooklyn

Schedule of Activities by School Year Ended June 30, 2022

	Explore	Empower	Excel	Exceed	Total
OPERATING REVENUE					
State and local per pupil operating revenue					
General education	\$ 8,836,177	\$ 7,594,976	\$ 8,736,814	\$ 6,842,488	\$ 32,010,455
Special education	911,257	991,364	1,246,864	1,638,927	4,788,412
Federal grants	1,276,503	1,088,505	981,696	1,240,968	4,587,672
Federal E-Rate and IDEA	106,838	132,174	183,921	209,945	632,878
State grants	41,044	35,974	44,330	34,175	155,523
Total Operating Revenue	<u>11,171,819</u>	<u>9,842,993</u>	<u>11,193,625</u>	<u>9,966,503</u>	<u>42,174,940</u>
EXPENSES					
Program Services					
Regular education	6,326,309	6,365,749	6,462,992	5,491,710	24,646,760
Special education	<u>2,075,722</u>	<u>2,233,995</u>	<u>2,870,564</u>	<u>3,688,959</u>	<u>10,869,240</u>
Total Program Services	8,402,031	8,599,744	9,333,556	9,180,669	35,516,000
Supporting Services					
Management and general	<u>1,962,740</u>	<u>1,889,910</u>	<u>2,096,994</u>	<u>1,916,514</u>	<u>7,866,158</u>
Total Expenses	<u>10,364,771</u>	<u>10,489,654</u>	<u>11,430,550</u>	<u>11,097,183</u>	<u>43,382,158</u>
Surplus (Deficit) from Operations	<u>807,048</u>	<u>(646,661)</u>	<u>(236,925)</u>	<u>(1,130,680)</u>	<u>(1,207,218)</u>
SUPPORT AND OTHER REVENUE					
Contributions	5,000	5,000	20,700	5,000	35,700
Interest and other income	115	10	44,762	25	44,912
Unrealized loss on investments	<u>-</u>	<u>-</u>	<u>(194,111)</u>	<u>-</u>	<u>(194,111)</u>
Total Support and Other Revenue	<u>5,115</u>	<u>5,010</u>	<u>(128,649)</u>	<u>5,025</u>	<u>(113,499)</u>
Change in Net Assets	812,163	(641,651)	(365,574)	(1,125,655)	(1,320,717)
NET ASSETS					
Beginning of year	<u>6,210,146</u>	<u>5,157,043</u>	<u>4,029,432</u>	<u>1,459,393</u>	<u>16,856,014</u>
End of year	<u>\$ 7,022,309</u>	<u>\$ 4,515,392</u>	<u>\$ 3,663,858</u>	<u>\$ 333,738</u>	<u>\$ 15,535,297</u>

See independent auditors' report

Explore Charter School

Schedule of Functional Expenses - Explore Year Ended June 30, 2022

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	20	\$ 1,280,221	\$ 494,723	\$ 1,774,944	\$ 329,886	\$ 2,104,830
Instructional personnel	56	2,341,163	904,708	3,245,871	603,269	3,849,140
Total Personnel Services Costs	<u>76</u>	<u>3,621,384</u>	<u>1,399,431</u>	<u>5,020,815</u>	<u>933,155</u>	<u>5,953,970</u>
Fringe benefits and payroll taxes		913,534	353,022	1,266,556	235,399	1,501,955
Retirement		52,776	20,394	73,170	13,599	86,769
Management company fees		609,944	88,879	698,823	366,647	1,065,470
Legal services		-	-	-	7,542	7,542
Accounting / audit services		-	-	-	15,713	15,713
Other purchased / professional / consulting services		182,306	77,600	259,906	194,577	454,483
Repairs and maintenance		4,923	717	5,640	995	6,635
Insurance		52,615	7,667	60,282	10,638	70,920
Utilities		46,603	6,791	53,394	9,422	62,816
Supplies / materials		212,235	30,926	243,161	-	243,161
Equipment / furnishings		21,546	3,140	24,686	4,356	29,042
Staff development		89,561	13,050	102,611	18,572	121,183
Marketing / recruitment		94,059	13,706	107,765	22,800	130,565
Technology		249,472	36,352	285,824	50,440	336,264
Food service		5,856	853	6,709	-	6,709
Student services		94,401	13,756	108,157	-	108,157
Office expense		43,511	4,835	48,346	48,345	96,691
Depreciation and amortization		3,840	560	4,400	24,930	29,330
Other		27,743	4,043	31,786	5,610	37,396
Total Expenses		<u>\$ 6,326,309</u>	<u>\$ 2,075,722</u>	<u>\$ 8,402,031</u>	<u>\$ 1,962,740</u>	<u>\$ 10,364,771</u>

See independent auditors' report

Explore Empower Charter School

Schedule of Functional Expenses - Empower Year Ended June 30, 2022

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	17	\$ 1,188,165	\$ 496,018	\$ 1,684,183	\$ 302,578	\$ 1,986,761
Instructional personnel	57	2,343,608	978,376	3,321,984	596,824	3,918,808
Total Personnel Services Costs	74	3,531,773	1,474,394	5,006,167	899,402	5,905,569
Fringe benefits and payroll taxes		928,186	387,486	1,315,672	236,372	1,552,044
Retirement		43,377	18,109	61,486	11,047	72,533
Management company fees		499,181	101,644	600,825	315,231	916,056
Legal services		-	-	-	8,788	8,788
Accounting / audit services		-	-	-	20,250	20,250
Other purchased / professional / consulting services		399,572	60,549	460,121	206,001	666,122
Repairs and maintenance		13,429	2,734	16,163	2,852	19,015
Insurance		44,563	9,074	53,637	9,465	63,102
Utilities		48,694	9,915	58,609	10,343	68,952
Supplies / materials		192,189	39,134	231,323	-	231,323
Equipment / furnishings		4,357	887	5,244	925	6,169
Staff development		88,410	18,002	106,412	15,479	121,891
Marketing / recruitment		100,118	20,386	120,504	26,500	147,004
Technology		229,176	46,665	275,841	48,678	324,519
Food service		1,729	352	2,081	-	2,081
Student services		155,156	31,593	186,749	-	186,749
Office expense		47,647	5,294	52,941	52,941	105,882
Depreciation and amortization		2,769	564	3,333	18,112	21,445
Other		35,423	7,213	42,636	7,524	50,160
Total Expenses		\$ 6,365,749	\$ 2,233,995	\$ 8,599,744	\$ 1,889,910	\$ 10,489,654

See independent auditors' report

Explore Excel Charter School

Schedule of Functional Expenses - Excel Year Ended June 30, 2022

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	19	\$ 1,139,702	\$ 615,284	\$ 1,754,986	\$ 295,450	\$ 2,050,436
Instructional personnel	62	2,432,644	1,313,298	3,745,942	630,625	4,376,567
Total Personnel Services Costs	81	3,572,346	1,928,582	5,500,928	926,075	6,427,003
Fringe benefits and payroll taxes		922,423	497,983	1,420,406	239,124	1,659,530
Retirement		38,714	20,900	59,614	10,036	69,650
Management company fees		566,035	125,244	691,279	362,689	1,053,968
Legal services		-	-	-	2,070	2,070
Accounting / audit services		-	-	-	20,961	20,961
Other purchased / professional / consulting services		327,029	73,421	400,450	278,649	679,099
Repairs and maintenance		9,566	2,117	11,683	2,062	13,745
Insurance		51,182	11,325	62,507	11,031	73,538
Utilities		55,401	12,258	67,659	11,940	79,599
Supplies / materials		211,814	46,867	258,681	-	258,681
Equipment / furnishings		15,436	3,415	18,851	3,327	22,178
Staff development		79,144	17,512	96,656	21,082	117,738
Marketing / recruitment		87,868	19,442	107,310	52,345	159,655
Technology		301,765	66,770	368,535	65,036	433,571
Food service		12,704	2,811	15,515	-	15,515
Student services		120,886	26,748	147,634	-	147,634
Office expense		44,435	4,937	49,372	49,372	98,744
Depreciation and amortization		4,658	1,031	5,689	32,233	37,922
Other		41,586	9,201	50,787	8,962	59,749
Total Expenses		\$ 6,462,992	\$ 2,870,564	\$ 9,333,556	\$ 2,096,994	\$ 11,430,550

See independent auditors' report

Explore Exceed Charter School

Schedule of Functional Expenses - Exceed Year Ended June 30, 2022

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	17	\$ 999,800	\$ 769,527	\$ 1,769,327	\$ 295,119	\$ 2,064,446
Instructional personnel	62	2,133,696	1,642,265	3,775,961	629,820	4,405,781
Total Personnel Services Costs	<u>79</u>	<u>3,133,496</u>	<u>2,411,792</u>	<u>5,545,288</u>	<u>924,939</u>	<u>6,470,227</u>
Fringe benefits and payroll taxes		827,119	636,618	1,463,737	244,147	1,707,884
Retirement		43,849	33,750	77,599	12,943	90,542
Management company fees		393,664	146,649	540,313	283,482	823,795
Legal services		-	-	-	4,682	4,682
Accounting / audit services		-	-	-	20,250	20,250
Other purchased / professional / consulting services		195,038	137,958	332,996	181,656	514,652
Repairs and maintenance		17,749	6,612	24,361	4,299	28,660
Insurance		38,434	14,318	52,752	9,309	62,061
Utilities		51,982	19,365	71,347	12,591	83,938
Supplies / materials		161,132	60,025	221,157	-	221,157
Equipment / furnishings		9,820	3,658	13,478	2,378	15,856
Staff development		68,510	25,522	94,032	14,766	108,798
Marketing / recruitment		91,242	33,990	125,232	69,210	194,442
Technology		234,574	87,384	321,958	56,816	378,774
Food service		7,902	2,944	10,846	-	10,846
Student services		139,647	52,022	191,669	-	191,669
Office expense		47,963	5,329	53,292	53,293	106,585
Depreciation and amortization		2,367	882	3,249	15,160	18,409
Other		27,222	10,141	37,363	6,593	43,956
Total Expenses		<u>\$ 5,491,710</u>	<u>\$ 3,688,959</u>	<u>\$ 9,180,669</u>	<u>\$ 1,916,514</u>	<u>\$ 11,097,183</u>

See independent auditors' report

Explore Charter Schools of Brooklyn

Uniform Guidance
Schedules and Reports

June 30, 2022

Explore Charter Schools of Brooklyn

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.S. Department of Education				
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021-22-4085	\$ -	\$ 228,807
Title I Grants to Local Educational Agencies	84.010	0021-22-4575	-	196,145
Title I Grants to Local Educational Agencies	84.010	0021-22-4845	-	204,237
Title I Grants to Local Educational Agencies	84.010	0021-22-4275	-	196,634
			-	825,823
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-4085	-	33,634
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-4575	-	27,267
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-4845	-	33,160
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-4275	-	28,260
			-	122,321
Student Support and Academic Enrichment Program	84.424	0204-22-4085	-	15,498
Student Support and Academic Enrichment Program	84.424	0204-22-4575	-	14,359
Student Support and Academic Enrichment Program	84.424	0204-22-4845	-	15,245
Student Support and Academic Enrichment Program	84.424	0204-22-4275	-	14,419
			-	59,521
English Language Acquisition State Grants	84.365	0293-22-4845	-	8,779
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-4085	-	21,531
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-4575	-	8,512
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-4845	-	8,783
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-4275	-	13,236
			-	52,062

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

Explore Charter Schools of Brooklyn

Schedule of Expenditures of Federal Awards (*continued*) 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.S. Department of Education (<i>continued</i>)				
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4085	\$ -	\$ 445,082
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4575	-	377,366
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4845	-	370,734
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4275	-	416,545
			-	1,609,727
Pass-Through New York State Education Department:				
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4085	-	504,175
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4575	-	437,114
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4845	-	312,251
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4275	-	549,152
			-	1,802,692
Total U.S. Department of Education			-	4,480,925
<u>Federal Communications Commission</u>				
Pass-Through Universal Service Administrative Company:				
Emergency Connectivity Fund Program	32.009	Not available	-	27,776
Emergency Connectivity Fund Program	32.009	Not available	-	27,742
Emergency Connectivity Fund Program	32.009	Not available	-	28,507
Emergency Connectivity Fund Program	32.009	Not available	-	22,722
			-	106,747
Total Expenditures of Federal Awards			\$ -	\$ 4,587,672

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

Explore Charter Schools of Brooklyn

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 Explore Charter Schools of Brooklyn (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
Explore Charter Schools of Brooklyn**

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 Explore Charter Schools of Brooklyn (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 25, 2022

**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
Explore Charter Schools of Brooklyn**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Explore Charter Schools of Brooklyn'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
October 25, 2022

Explore Charter Schools of Brooklyn

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?

_____ yes X 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

84.425D

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?

X yes _____ no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2022.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instances 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.

Board of Trustees
Explore Charter Schools of Brooklyn

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of Explore Charter Schools of Brooklyn (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.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

This communication is intended solely for the information and use of management, Board of Trustees, federal, state and local awarding agencies, The Charter School Institute of the State University of New York, The State Education Department of the State University of New York, and others within the Organization and is not intended to be and should not 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
October 25, 2022