

BRILLA COLLEGE PREPARATORY
CHARTER SCHOOLS

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2023

(With Comparative Totals for 2022)



BUSINESS
ADVISORS
AND CPAS

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BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Brilla College Preparatory Charter Schools

Opinion

We have audited the accompanying financial statements of Brilla College Preparatory Charter Schools, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, 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 Brilla College Preparatory Charter Schools as of June 30, 2023, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brilla College Preparatory Charter Schools 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.

Change in Accounting Principle

As discussed in Note A to the financial statements, during the year ended June 30, 2023, the entity adopted new accounting guidance related to accounting for leases. Our opinion is not modified with respect to this matter.

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 Brilla College Preparatory Charter Schools' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 Brilla College Preparatory Charter Schools' 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 Brilla College Preparatory Charter Schools' ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Brilla College Preparatory Charter Schools' June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2022. In our opinion, the summarized comparative information presented herein as of June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2023 on our consideration of Brilla College Preparatory Charter Schools's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brilla College Preparatory Charter Schools's internal control over financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 27, 2023

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

(With Comparative Totals for 2022)

<u>ASSETS</u>	June 30,	
	<u>2023</u>	<u>2022</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 10,920,726	\$ 9,705,186
Certificates of deposit	2,212,867	1,003,231
Grants and other receivables	3,741,482	2,129,079
Investments	1,554,476	4,622,224
Prepaid expenses and other current assets	884,891	1,305,243
TOTAL CURRENT ASSETS	19,314,442	18,764,963
<u>PROPERTY AND EQUIPMENT, net</u>	5,371,550	2,080,455
<u>OTHER ASSETS</u>		
Security deposits	704,178	594,178
Cash in escrow	200,103	200,064
Right-of-use assets	201,207,003	-
	<u>202,111,284</u>	<u>794,242</u>
TOTAL ASSETS	<u>\$ 226,797,276</u>	<u>\$ 21,639,660</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 836,261	\$ 897,293
Current portion of lease liabilities	2,906,281	-
Accrued payroll and benefits	<u>1,458,395</u>	<u>1,061,835</u>
TOTAL CURRENT LIABILITIES	5,200,937	1,959,128
<u>OTHER LIABILITIES</u>		
Long-term lease liabilities	207,289,548	-
Deferred lease liability	-	4,503,747
	<u>207,289,548</u>	<u>4,503,747</u>
TOTAL LIABILITIES	212,490,485	6,462,875
<u>NET ASSETS - without donor restrictions</u>	<u>14,306,791</u>	<u>15,176,785</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 226,797,276</u>	<u>\$ 21,639,660</u>

The accompanying notes are an integral part of the financial statements.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

JUNE 30, 2023

(With Comparative Totals for 2022)

	Year ended June 30,	
	2023	2022
Revenue, gains and other support:		
Public school district:		
Resident student enrollment	\$ 28,995,792	\$ 26,095,170
Students with disabilities	4,093,631	3,880,873
Grants and contracts:		
State and local	76,848	-
Federal - Title and IDEA	1,567,367	1,453,643
Federal - other	5,003,161	5,450,483
NYC DOE Rental Assistance	7,397,653	6,175,632
 TOTAL REVENUE, GAINS AND OTHER SUPPORT	 47,134,452	 43,055,801
Expenses:		
Program:		
Regular education	29,030,720	21,573,810
Special education	9,945,674	7,594,048
Total program services	38,976,394	29,167,858
Management and general	11,822,276	9,928,547
 TOTAL OPERATING EXPENSES	 50,798,670	 39,096,405
 (DEFICIT) SURPLUS FROM SCHOOL OPERATIONS	 (3,664,218)	 3,959,396
Support and other revenue:		
Contributions:		
Foundations	1,081,800	167,500
Individuals	2,245	77,401
Corporation	438,765	-
Employee Retention Credit	1,050,586	-
Interest income	196,721	3,042
Miscellaneous income	24,107	206,029
 TOTAL SUPPORT AND OTHER REVENUE	 2,794,224	 453,972
 CHANGE IN NET ASSETS	 (869,994)	 4,413,368
Net assets at beginning of year	15,176,785	10,763,417
 NET ASSETS AT END OF YEAR	 \$ 14,306,791	 \$ 15,176,785

The accompanying notes are an integral part of the financial statements.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES

JUNE 30, 2023
(With Comparative Totals for 2022)

	Year ended June 30,						
	2023						
		Program Services			Supporting Services		
	No. of Positions	Regular Education	Special Education	Sub-total	Management and general	Total	Year Ended June 30, 2022
Personnel services costs:							
Administrative staff personnel	48	\$ 3,255,719	\$ 870,961	\$ 4,126,680	\$ 2,052,709	\$ 6,179,389	\$ 4,703,357
Instructional personnel	179	9,342,165	4,308,405	13,650,570	-	13,650,570	10,729,569
Total salaries and wages	227	12,597,884	5,179,366	17,777,250	2,052,709	19,829,959	15,432,926
Fringe benefits and payroll taxes		2,259,670	949,843	3,209,513	363,615	3,573,128	2,888,797
Retirement benefits		356,920	144,055	500,975	56,156	557,131	418,738
Legal services		-	-	-	110,787	110,787	37,215
Accounting/Audit services		-	-	-	64,663	64,663	56,351
Management company fees		-	-	-	4,986,620	4,986,620	4,488,174
Other Purchased/Professional/Consulting Services		1,912,273	518,023	2,430,296	418,842	2,849,138	2,100,118
Building rent		8,504,325	2,191,928	10,696,253	2,818,591	13,514,844	8,981,673
Utilities		420	131	551	48	599	1,102
Repairs and maintenance		78,649	21,757	100,406	25,912	126,318	71,749
Insurance expense		167,307	44,758	212,065	56,105	268,170	208,033
Supplies/Materials		881,168	229,463	1,110,631	-	1,110,631	1,097,563
Equipment/Furnishings		29,004	7,588	36,592	9,859	46,451	27,961
Leased equipment		83,826	23,931	107,757	26,847	134,604	87,730
Staff development		349,982	146,392	496,374	90,412	586,786	435,350
Marketing/Recruitment		407,490	106,512	514,002	6,704	520,706	365,540
Technology		240,116	62,681	302,797	81,348	384,145	319,573
Food services		677	201	878	-	878	1,918
Student services		415,736	110,680	526,416	-	526,416	322,614
Office expense		8,859	2,330	11,189	133,006	144,195	145,732
Travel and conferences		22,833	6,172	29,005	7,646	36,651	35,760
Depreciation and amortization		612,341	163,013	775,354	201,313	976,667	788,496
Other		101,240	36,850	138,090	311,093	449,183	783,292
		\$ 29,030,720	\$ 9,945,674	\$ 38,976,394	\$ 11,822,276	\$ 50,798,670	\$ 39,096,405

The accompanying notes are an integral part of the financial statements.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

JUNE 30, 2023
(With Comparative Totals for 2022)

	Year ended June 30,	
	2023	2022
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (869,994)	\$ 4,413,368
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	976,668	788,496
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(1,612,403)	(984,686)
Prepaid expenses and other current assets	420,352	(293,420)
Security deposits	(110,000)	(180,000)
Accounts payable and accrued expenses	(61,032)	272,937
Accrued payroll and benefits	396,560	252,908
Lease liabilities, net of right-of-use assets	8,988,826	-
Deferred lease liability	<u>(4,503,747)</u>	<u>1,606,674</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	3,625,230	5,876,277
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of investments	-	(4,622,224)
Purchases of certificates of deposit	(1,209,636)	(1,003,231)
Proceeds from sales of investments	3,067,748	-
Purchases of property and equipment	<u>(4,267,763)</u>	<u>(962,866)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(2,409,651)</u>	<u>(6,588,321)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	1,215,579	(712,044)
Cash and cash equivalents and restricted cash at beginning of year	<u>9,905,250</u>	<u>10,617,294</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 11,120,829</u>	<u>\$ 9,905,250</u>
Reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 10,920,726	\$ 9,705,186
Cash in escrow	<u>200,103</u>	<u>200,064</u>
	<u>\$ 11,120,829</u>	<u>\$ 9,905,250</u>

The accompanying notes are an integral part of the financial statements.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Brilla College Preparatory Charter Schools (the “Charter School”) is an educational corporation that operates as a charter school in Bronx, New York.

The Charter currently possesses four charters granted by the SUNY Board of Trustees’ Charter School Committee (SUNY). Brilla College Preparatory Charter School was granted its third renewal in December 2022 for a three-year term through and including July 2025. Brilla Veritas Charter School was granted its first renewal in November 2021 for a three-year term through and including July 2025. These were considered “full” renewals, with a shorter term to begin to align charter terms among all four schools. In October 2018, SUNY approved the initial five-year charters for Brilla Caritas Charter School and Brilla Pax Charter School, which opened in August of 2020 with expiration in June 2025.

The Charter School was established to provide its students in grades K-8 with traditional academic skills to develop their cognitive, social, emotional, and physical excellence.

In December 2021, the SUNY approved a revision to its charter to create Vertex Partnership Academies Inc. (“Vertex”), a joint high school program with Public Prep Charter School (“PPA”). Also, in December 2021, the Charter School signed an agreement with PPA to manage a joint high school incorporating scholars from both charter schools. The first Vertex campus opened in the Bronx in Fall 2022. See additional information as described in Note O.

Classification of net assets

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

These classes of net assets are defined as follows:

Net Assets Without Donor Restrictions

The net assets over which the Board of Trustees has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current net assets without donor restrictions for specific purposes, projects or investment.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Charter School had no net assets with donor restrictions at June 30, 2023 and 2022.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Revenue and support recognition

Revenue from Exchange Transactions: The Charter School recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Charter School records substantially all revenues over time as follows:

Public school district revenue

The Charter School recognizes revenue as educational programming is provided to students throughout the year. The Charter School earns state and local per pupil revenue based on the approved per pupil tuition rate of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil tuition rate and the full-time equivalent student enrollment of the School. Each NYS school district has a fixed per pupil tuition rate which is calculated annually by NYSED in accordance with NYS Education Law. Amounts are billed in advance every other month and payments are typically received in six installments during the year. At the end of each school year, a reconciliation of actual enrollment to billed enrollment is performed and any additional amounts due or excess funds received are agreed upon between the Charter School and the district(s) and are paid or recouped. Additional funding is available for students requiring special education services. The amount of additional funding is dependent upon the length of time and types of services provided by the Charter School to each student, subject to a maximum amount based upon a set rate for each district as calculated by NYSED.

Rental assistance

Facilities rental assistance funding is provided by the New York City Dept of Education (NYCDOE) to qualifying charter schools located in the five boroughs of NYC. In order to receive rental assistance funding, a charter school must have commenced instruction or added grade levels in the 2014-15 school year or thereafter, and go through a space request process with the NYCDOE. If NYCDOE is not able to provide adequate space, the charter school can become eligible for rental assistance. Rental assistance is calculated as the lesser of 30% of the per-pupil tuition rate for NYC times the number of students enrolled, or actual total rental costs. As rental assistance is based on the number of students enrolled, revenue is recognized throughout the year as educational programming is provided to students.

The following table summarizes contract balances at their respective statement of financial position dates:

	June 30,		
	2023	2022	2021
Grants and other receivables	\$ 83,234	\$ 22,502	\$ 94,061

Contributions

The Charter School recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Grant revenue

Some of the Charter School's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Charter School has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants and contracts receivable in the accompanying statement of financial position. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. The Charter School received cost-reimbursement grants of approximately \$5,558,000 and \$6,339,000 that have not been recognized at June 30, 2023 and 2022, respectively, because qualifying expenditures have not yet been incurred.

Cash and cash equivalents

Cash and cash equivalents and certificates of deposit balances are maintained at financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. The Charter School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

Cash and cash equivalents and restricted cash balances for the years ended June 30, 2023 and 2022 consisted of the following:

	June 30,	
	2023	2022
Cash and cash equivalents	\$ 10,920,726	\$ 9,705,186
Cash in escrow	200,103	200,064
	<u>\$ 11,120,829</u>	<u>\$ 9,905,250</u>

Cash in escrow

The Charter School maintained cash in an escrow account in accordance with the terms of its Charter agreement, to pay off expenses in the event of dissolution of the Charter School.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Investments

Investments are maintained in accordance with the Charter School's Finance Policy Manual. The goals of this policy are the preservation of principal, the maintenance of liquidity, and to obtain a competitive return on investment subject to prevailing market conditions and safe and sound investment practices. Assets within this portfolio will be permitted to have investments maturing in one year or less.

Investments consist of the following:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
U.S. Treasury Bills	<u>\$ 1,554,476</u>	<u>\$ 4,622,224</u>

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2023 and 2022.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to ten years. Leasehold improvements are amortized over the term of the lease.

Major renewals and betterments are capitalized, while repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation are removed from the accounts and the related gain or loss is reflect in operations.

Leases

The Charter School leases building space and equipment and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, current liabilities, and other liabilities on the accompanying statement of financial position.

ROU assets represent the Charter School's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Charter School uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Charter School will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

The Charter School's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Charter School considers factors such as if the Charter School has obtained substantially all of the rights to the underlying asset through exclusivity, if the Charter School can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Contributed services

The Charter School receives contributed services from volunteers to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed. The Charter School received food supplies and services, speech and occupational therapy, paraprofessionals, nursing services, counseling services and metro cards for student transportation from the local district.

In-kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution. There were no in-kind contributions received for the years ended June 30, 2023 and 2022.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income. The Charter School has filed for and received income tax exemptions in the various jurisdictions where it is required to do so.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2020 through June 30, 2023 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$521,000 and \$366,000 for the years ended June 30, 2023 and 2022, respectively.

Security deposits

Security deposits are made up of payments to third parties in connection with facility lease agreements.

Use of estimates in the preparation of financial statements

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Comparatives for the period ended June 30, 2022

The financial statements include certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Charter School's financial statements for the period ended June 30, 2022, from which the summarized information was derived.

Adoption of new accounting standard - leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020 to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Charter School adopted ASC 842 with the date of initial application of July 1, 2022.

The Charter School recognized and measured leases existing at July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

As part of the adoption of ASC 842, the Charter School elected practical expedients to account for the existing operating leases as operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard; (b) whether classification of operating leases would be different in accordance with the new guidance; or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, The Charter School recognized on July 1, 2022 a lease liability of \$212,492,947, which represents the present value of the remaining operating lease payments of \$350,092,732, discounted using the Charter School's weighted average risk-free rate of 3.13%, and a right-of-use asset of \$207,989,199 which represents the operating lease liability of \$212,492,947 adjusted for deferred lease liability of \$4,503,748. The standard had a material impact on the accompanying statement of financial position, but did not have a significant impact on the statements of activities, changes in net assets and cash flows.

New accounting pronouncement – credit losses

In June 2016 the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13), which requires entities to use a new impairment model referred to as the current expected credit losses (CECL) model rather than incurred losses. The new standard affects accounting for loans, accounts (trade) receivable, held-to-maturity debt securities, and other financial assets included in the scope. For non-public entities, the new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Charter School is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Charter School's financial position or results of operations.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 27, 2023, which is the date the financial statements are available to be issued. See Note O.

NOTE B: LIQUIDITY AND AVAILABILITY

The Charter School regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Charter School's main source of liquidity is its cash accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Charter School considers all expenditures related to its ongoing activities of teaching, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Charter School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Charter School's cash and shows positive cash generated by operations for fiscal years 2023 and 2022.

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, comprise the following at June 30, 2023 and 2022:

	June 30,	
	2023	2022
Cash and cash equivalents	\$ 10,920,726	\$ 9,705,186
Certificates of deposit	2,212,867	1,003,231
Investments	1,554,476	4,622,224
Grants and other receivables	3,741,482	2,129,079
Total financial assets available to management for general expenditures within one year	<u>\$ 18,429,551</u>	<u>\$ 17,459,720</u>

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 1,763,408	\$ 1,254,776
Computer equipment and software	1,991,014	1,591,992
Office equipment	763,416	735,604
Leasehold improvements	<u>3,353,760</u>	<u>3,088,763</u>
	10,938,897	6,671,135
Less accumulated depreciation and amortization	<u>5,567,347</u>	<u>4,590,680</u>
	<u>\$ 5,371,550</u>	<u>\$ 2,080,455</u>

NOTE D: COMMITMENTS AND RELATED PARTY TRANSACTIONS

The Charter School has an Academic and Business Services Agreement with Seton Education Partners, Inc. (Seton). The agreement began on July 1, 2017 and renews annually on June 30. Seton will be responsible and accountable to the Board for the administration, operations, education, and performance of the Charter School in accordance with the Charter and the Charter School's budget.

The Charter School will pay Seton fifteen percent of the total enrollment of students multiplied by the approved per pupil operating expenses, payable six times a year. The fee for the years ended June 30, 2023 and 2022 was approximately \$4,837,000 and \$4,488,000, respectively. There was approximately \$69,200 and \$13,800 due to Seton at June 30, 2023 and 2022, respectively. There was approximately \$13,000 and \$83,100 due from Seton, at June 30, 2023 and 2022, respectively. See Note O for additional information regarding related party transactions with Vertex for the joint High School

NOTE E: SCHOOL FACILITIES

The Charter School currently subleases most of its facilities from Seton, totaling approximately 170,000 square feet of classrooms and office facilities along with 1,900 square feet of play-yard at June 30, 2023, except the joint High School. See Note O for details.

The Charter School subleases a property at East 144th Street under a non-cancelable lease agreement expiring in June 2028. The current monthly payment is \$137,443 and will increase each year of the lease term by the agreed upon amount as described in the lease.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE E: SCHOOL FACILITIES, Cont'd

The Charter School has a sublease for the middle school located on Courtlandt Ave. The lease began on July 1, 2018 and the current monthly payment is \$146,848 and will increase each year of the lease term by the agreed upon amount as described in the lease. In July of 2022, the lease was amended and now goes through June 2046.

The Charter School also has a sublease agreement for a property located on College Avenue which commenced in July 2019. This lease renewed in September 2021, for \$101,000 per month through June 2022, and in July of 2022, the lease was amended for \$39,141 per month and now goes through June 2024.

The Charter School signed a rental agreement for property located on East 156th Street in which substantial improvements must be made by the lessor before the commencement date and made a security deposit of \$300,000. The lease commenced September 2020 and was originally scheduled to expire in June 2051. The current monthly payment is \$190,436. The payment will increase each year of the lease by the agreed upon amount as described in the lease. In July of 2022, the lease was amended to go through August 2051.

In January 2020, the Charter School signed an agreement to guarantee debt related to property at 2336 Andrews Avenue North, for the Caritas and Pax Elementary Schools. The initial amount of the construction loan was \$11,136,000; this loan was repaid in connection with the bond financing by Seton to which the Charter School has an indemnification agreement and is not liable nor are they a guarantor of these bonds. As a condition of the bond issuance, the Charter School has certain financial covenants with Seton's lender. The Charter School was in compliance with these covenants June 30, 2023.

The lease at 2336 Andrews Avenue North, commenced in July of 2020 and expires in June 2055. The current monthly payment on the lease is \$228,524 and will increase each year of the lease term by the agreed upon amount as described in the lease.

In February 2022, the Charter School signed a sublease for 1956 Jerome Avenue, which does not begin until July 2024 and goes through June 2063. Monthly rent at that time will be \$207,068 and will increase each year of the lease term by the agreed upon amount as described in the lease.

In March 2023, the Charter School signed a sublease for 222 Alexander Avenue, which begins in July 2023 and goes through June 2033, with a five-year extension. The current monthly rent is \$138,645 and will increase each year of the lease term by the agreed upon amount as described in the lease.

Rent expense for the years ending June 30, 2023 and 2022, was approximately \$13,515,000 and \$8,982,000, respectively.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE F: LEASES

The school has operating leases for school facilities (see Note E) and office equipment. The Charter School leases office equipment with various remaining lease terms ranging from 1 to 4 years.

A summary of operating lease right-of-use assets and liabilities at June 30, 2023 are as follows:

<u>Statement of Financial</u>		
<u>Position Classification</u>		
<u>Assets</u>		
Other assets	Right-of-use assets	<u>\$ 201,207,003</u>
<u>Liabilities</u>		
Current liabilities	Current portion of lease liabilities	\$ 2,906,281
Other liabilities	Long-term lease liabilities	<u>207,289,548</u>
		<u>\$ 210,195,829</u>

The component of lease expense were as follows:

Operating lease cost	<u>\$ 13,381,778</u>
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As of June 30, 2023, minimum payments due for lease liabilities for future years are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2024	\$ 9,426,467
2025	7,913,633
2026	8,585,413
2027	9,273,631
2028	10,015,886
Thereafter	<u>294,252,978</u>
Total lease payments	339,468,008
Less: Interest	<u>(129,272,179)</u>
Present value of lease liabilities	<u>\$ 210,195,829</u>

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE F: LEASES, Cont'd

Supplemental information for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows paid for operating leases	\$ 8,896,970
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Right-of-use assets obtained in exchange for new lease liabilities
(non-cash):

Operating leases	\$ 212,492,947
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Weighted-average remaining lease term:

Operating leases	28.58 years
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Weighted-average discount rate:

Operating leases	3.13%
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NOTE G: CONCENTRATIONS

At June 30, 2023 and 2022, approximately 88% and 96%, respectively, of grants and other receivables were due from New York State and federal agencies.

During both of the years ended June 30, 2023 and 2022, approximately 70% and 69%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

During both of the years ended June 30, 2023 and 2022, approximately 15% and 14%, respectively, of total operating revenue and support came from rental assistance provided by New York City Department of Education.

NOTE H: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering all regular employees. The Charter School may make a discretionary contribution to the plan. The Charter School makes up to a 3% match of employee contributions. For those eligible employees with over five years of service an additional 2% match is made. The Charter School contributed approximately \$557,000 and \$419,000 to the Plan for the years ended June 30, 2023 and 2022, respectively.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE I: CONTINGENCIES

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such 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.

NOTE J: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort.

NOTE K: NET ASSETS

Net assets without donor restrictions are as follows:

	June 30,	
	2023	2022
Property and equipment	\$ 5,371,550	\$ 2,080,455
Undesignated	8,935,241	13,096,330
	<u>\$ 14,306,791</u>	<u>\$ 15,176,785</u>

NOTE L: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The Elementary and Secondary School Emergency Relief Fund (ESSER Fund) was established to award grants to state and local educational agencies. The Charter School has recognized \$4,607,134 and \$3,941,013 of revenue relative to ESSER grants during the years ended June 30, 2023 and 2022, respectively.

NOTE M: EMPLOYEE RETENTION CREDIT

In March, 2020, the CARES Act was enacted. Under the CARES Act, the Employee Retention Credit ("ERC"), a refundable wage-related tax credit, was made available to eligible employers. The Charter School recognized a net benefit of approximately \$1,050,586 recorded as other revenue related to this credit during the year ended June 30, 2023. There was no amount recognized for the year ended June 30, 2022. The Charter School received this net payment in full in January 2023.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE N: FAIR VALUE MEASUREMENTS

Accounting principles establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

U.S. government and U.S. agencies — Bonds issued by the U.S. Treasury, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, Government National Mortgage Association and the Federal National Mortgage Association. The fair values of U.S. treasury bonds are based on quoted market prices in active markets, and are included in the Level 1 fair value hierarchy. The Charter School believes the market for U.S. treasury bonds is an actively traded market given the high level of daily trading volume.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE N: FAIR VALUE MEASUREMENTS, Cont'd

The following table sets forth by level, within the fair value hierarchy, the Charter School's assets at fair value as of June 30, 2023 and 2022:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
<u>June 30, 2023</u>				
U.S. Government securities:				
U.S. Treasury Bills	\$ 1,554,476	\$ -	\$ -	\$ 1,554,476
Total assets at fair value	<u>\$ 1,554,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,554,476</u>

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
<u>June 30, 2022</u>				
U.S. Government securities:				
U.S. Treasury Bills	\$ 4,622,224	\$ -	\$ -	\$ 4,622,224
Total assets at fair value	<u>\$ 4,622,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,622,224</u>

NOTE O: JOINT HIGH SCHOOL OPERATING AGREEMENTS

Charter Management Fee

As described in Note A, the Charter School entered into agreements with PPA and Vertex to manage a Joint High School Program incorporating scholars from both charter schools. In connection with the agreements, the Charter School pays a service fee to Vertex for its role in managing the joint high school equal to 15% of all the public revenues received by the Charter School for students attending the joint high school. Public revenues excludes any Federal Public Charter School Program Planning and Implementation Grant ("CSP") or any funding allocated or awarded during the 2021-2022 school year under the American Rescue Plan Elementary and Secondary School Emergency Relief Fund, the American Rescue Plan Act of 2021 or the Coronavirus Aid, Recovery and Economic Security Act. The Charter School paid a charter management fee expense of \$150,072 for the year ended June 30, 2023. There was no charter management fee expense for the year ended June 30, 2022. There was approximately \$54,000 net owed to Vertex at June 30, 2023, and there were none at June 30, 2022.

Sublease with Vertex

During 2022, the Charter School entered into a sublease with Vertex for the Joint High School facility. The sublease commenced July 1, 2022. The sublease term was through June 30, 2023 and includes all utilities and security services. This lease expense amounted to \$211,128 for the year ended June 30, 2023. There was no expense for the year ended June 30, 2022. In August 2023, the lease was extended from July 1, 2023 to June 30, 2024 with total bi-monthly rent of \$204,840 for PPA and the Charter School jointly.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2023

(With Comparative Totals for 2022)

NOTE O: JOINT HIGH SCHOOL OPERATING AGREEMENTS, Cont'd

Joint High School Funding

Under the agreements, the Charter School and PPA are to transfer to the Joint High School all funds received from any governmental or private entity with respect to the Joint High School Program and its students including but not limited to, per pupil funding received from New York State and its municipalities and school districts; all Federal Government funding including Title I, Title III, E-rate, and CSP funding; and all startup funding received from private foundations with respect to the Joint High School Program. Any rental assistance received through the New York City Department of Education by the Charter School and PPA shall be used towards rental payments for the High School Facility for students enrolled in the Joint High School Program pursuant to their sublease agreement.

Contribution to High School

The agreements also state that it is the sole responsibility of Vertex to ensure that it has sufficient funds to run the Joint High School Program should additional funds be required beyond the Joint High School Funding and the Charter Management Fee. During the year ending June 30, 2023, the Charter School recognized a contribution of \$438,765 from Vertex in the accompanying statement of activities.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

OTHER FINANCIAL INFORMATION



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Brilla College Preparatory Charter Schools

We have audited the financial statements of Brilla College Preparatory Charter Schools for the year ended June 30, 2023, and have issued our reports thereon dated October 27, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter 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 for the year ended June 30, 2023, as a whole.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 27, 2023

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY CHARTER

YEAR ENDED JUNE 30, 2023

	Brilla College Preparatory							
	Elementary School	Middle School	High School (Vertex)	Total	Brilla Veritas	Brilla Caritas	Brilla Pax	Total
Revenue, gains and other support:								
Public school district								
Resident student enrollment	\$ 6,898,394	\$ 5,650,666	677,896	\$ 13,226,956	\$ 8,005,218	\$ 4,299,034	\$ 3,464,584	\$ 28,995,792
Students with disabilities	1,098,727	904,498	84,637	2,087,862	1,160,669	352,905	492,195	4,093,631
Grants and contracts:								
State and local	15,434	11,904	-	27,338	32,632	10,389	6,489	76,848
Federal - Title and IDEA	452,541	315,070	26,818	794,429	433,621	169,631	169,686	1,567,367
Federal - other	680,092	1,184,650	267,455	2,132,197	1,725,406	567,615	577,943	5,003,161
NYC DOE Rental Assistance	<u>1,687,756</u>	<u>1,298,569</u>	<u>211,128</u>	<u>3,197,453</u>	<u>2,006,343</u>	<u>1,155,053</u>	<u>1,038,804</u>	<u>7,397,653</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	10,832,944	9,365,357	1,267,934	21,466,235	13,363,889	6,554,627	5,749,701	47,134,452
Expenses:								
Program:								
Regular education	5,647,926	5,166,653	871,352	11,685,931	7,650,885	4,954,945	4,738,959	29,030,720
Special education	<u>1,794,391</u>	<u>2,556,153</u>	<u>305,023</u>	<u>4,655,567</u>	<u>2,580,692</u>	<u>1,274,119</u>	<u>1,435,296</u>	<u>9,945,674</u>
TOTAL PROGRAM EXPENSES	7,442,317	7,722,806	1,176,375	16,341,498	10,231,577	6,229,064	6,174,255	38,976,394
Management and general	<u>2,273,557</u>	<u>2,189,935</u>	<u>353,068</u>	<u>4,816,560</u>	<u>3,186,874</u>	<u>1,885,140</u>	<u>1,933,702</u>	<u>11,822,276</u>
TOTAL OPERATING EXPENSES	<u>9,715,874</u>	<u>9,912,741</u>	<u>1,529,443</u>	<u>21,158,058</u>	<u>13,418,451</u>	<u>8,114,204</u>	<u>8,107,957</u>	<u>50,798,670</u>
SURPLUS (DEFICIT) FROM SCHOOL OPERATIONS	1,117,070	(547,384)	(261,509)	308,177	(54,562)	(1,559,577)	(2,358,256)	(3,664,218)
Support and other revenue:								
Contributions:								
Foundations	259,633	200,241	-	459,874	310,368	155,779	155,779	1,081,800
Individuals	713	309	-	1,022	643	240	340	2,245
Corporation	-	-	438,765	438,765	-	-	-	438,765
Employee Retention Credit	327,982	275,270	-	603,252	272,407	83,954	90,973	1,050,586
Interest income	47,200	36,415	-	83,615	56,464	28,321	28,321	196,721
Miscellaneous income	<u>4,351</u>	<u>4,180</u>	<u>-</u>	<u>8,531</u>	<u>8,048</u>	<u>2,917</u>	<u>4,611</u>	<u>24,107</u>
TOTAL SUPPORT AND OTHER REVENUE	<u>639,879</u>	<u>516,415</u>	<u>438,765</u>	<u>1,595,059</u>	<u>647,930</u>	<u>271,211</u>	<u>280,024</u>	<u>2,794,224</u>
CHANGE IN NET ASSETS	1,756,949	(30,969)	177,256	1,903,236	593,368	(1,288,366)	(2,078,232)	(869,994)
Net assets (deficiency) at beginning of year	<u>10,267,984</u>	<u>1,492,602</u>	<u>-</u>	<u>11,760,586</u>	<u>3,769,646</u>	<u>(276,876)</u>	<u>(76,571)</u>	<u>15,176,785</u>
NET (DEFICIENCY) ASSETS AT END OF YEAR	<u>\$ 12,024,933</u>	<u>\$ 1,461,633</u>	<u>\$ 177,256</u>	<u>\$ 13,663,822</u>	<u>\$ 4,363,014</u>	<u>\$ (1,565,242)</u>	<u>\$ (2,154,803)</u>	<u>\$ 14,306,791</u>

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER

YEAR ENDED JUNE 30, 2023

		Brilla College Preparatory					
		Program Services			Supporting Services		Total
		Regular Education	Special Education	Sub-total	Management and general	Sub-total	
	No. of Positions						
Personnel Services Costs:							
Administrative staff personnel	24	\$ 1,538,314	\$ 454,568	\$ 1,992,882	\$ 816,892	\$ 816,892	\$ 2,809,774
Instructional personnel	80	3,901,827	2,101,219	6,003,046	-	-	6,003,046
Total salaries and wages	104	5,440,141	2,555,787	7,995,928	816,892	816,892	8,812,820
Fringe benefits and payroll taxes		984,075	479,217	1,463,292	149,276	149,276	1,612,568
Retirement benefits		180,867	79,714	260,581	25,630	25,630	286,211
Legal services		-	-	-	60,324	60,324	60,324
Accounting/Audit services		-	-	-	30,716	30,716	30,716
Management company fees		-	-	-	2,329,684	2,329,684	2,329,684
Other Purchased/Professional/Consulting Services		934,946	282,865	1,217,811	145,864	145,864	1,363,675
Building rent		2,638,769	783,190	3,421,959	831,259	831,259	4,253,218
Repairs and maintenance		42,673	12,740	55,413	13,118	13,118	68,531
Insurance expense		75,141	22,231	97,372	24,461	24,461	121,833
Utilities		361	108	469	111	111	-
Supplies/Materials		342,139	101,361	443,500	-	-	443,500
Equipment/Furnishings		18,447	5,467	23,914	6,061	6,061	29,975
Leased equipment		65,987	19,464	85,451	21,142	21,142	106,593
Staff development		143,679	66,069	209,748	34,383	34,383	244,131
Student services		168,280	49,714	217,994	2,419	2,419	220,413
Technology		99,206	29,385	128,591	31,302	31,302	159,893
Food services		677	201	878	-	-	878
Student services		200,986	59,606	260,592	-	-	260,592
Office expense		4,280	1,270	5,550	67,421	67,421	72,971
Travel and conferences		13,686	4,072	17,758	4,434	4,434	22,192
Depreciation and amortization		289,248	85,767	375,015	92,252	92,252	467,267
Other		42,343	17,339	59,682	129,811	129,811	189,493
		<u>\$ 11,685,931</u>	<u>\$ 4,655,567</u>	<u>\$ 16,341,498</u>	<u>\$ 4,816,560</u>	<u>\$ 4,816,560</u>	<u>\$ 21,158,058</u>

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER

YEAR ENDED JUNE 30, 2023

		Brilla Veritas					
		Program Services			Supporting Services		Total
		Regular Education	Special Education	Sub-total	Management and general	Sub-total	
		No. of Positions					
Personnel Services Costs:							
Administrative staff personnel	11	\$ 796,478	\$ 222,331	\$ 1,018,809	\$ 601,212	\$ 601,212	\$ 1,620,021
Instructional personnel	49	2,669,158	1,080,344	3,749,502	-	-	3,749,502
Total salaries and wages	60	3,465,636	1,302,675	4,768,311	601,212	601,212	5,369,523
Fringe benefits and payroll taxes		640,413	243,496	883,909	105,154	105,154	989,063
Retirement benefits		85,537	32,096	117,633	14,957	14,957	132,590
Legal services		-	-	-	26,351	26,351	26,351
Accounting/Audit services		-	-	-	16,941	16,941	16,941
Management company fees		-	-	-	1,369,466	1,369,466	1,369,466
Other Purchased/Professional/Consulting Services		482,432	129,337	611,769	135,663	135,663	747,432
Building rent		2,083,493	615,861	2,699,354	663,685	663,685	3,363,039
Repairs and maintenance		25,027	6,696	31,723	8,809	8,809	40,532
Insurance expense		45,162	12,673	57,835	15,193	15,193	73,028
Utilities		(523)	(94)	(617)	(239)	(239)	(856)
Supplies/Materials		263,743	70,335	334,078	-	-	334,078
Equipment/Furnishings		3,983	784	4,767	1,738	1,738	6,505
Leased equipment		8,607	2,572	11,179	2,709	2,709	13,888
Staff development		98,511	38,681	137,192	24,462	24,462	161,654
Marketing/Recruitment		100,003	27,506	127,509	2,210	2,210	129,719
Technology		71,351	18,694	90,045	25,588	25,588	115,633
Student services		100,955	27,191	128,146	-	-	128,146
Office expense		2,126	556	2,682	32,994	32,994	35,676
Travel and conferences		4,502	1,140	5,642	1,662	1,662	7,304
Depreciation and amortization		139,292	39,082	178,374	46,867	46,867	225,241
Other		30,635	11,411	42,046	91,452	91,452	133,498
		<u>\$ 7,650,885</u>	<u>\$ 2,580,692</u>	<u>\$ 10,231,577</u>	<u>\$ 3,186,874</u>	<u>\$ 3,186,874</u>	<u>\$ 13,418,451</u>

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER

YEAR ENDED JUNE 30, 2023

		Brilla Caritas					
		Program Services			Supporting Services		Total
		Regular Education	Special Education	Sub-total	Management and general	Sub-total	
		No. of Positions					
Personnel Services Costs:							
Administrative staff personnel	6	\$ 429,760	\$ 86,029	\$ 515,789	\$ 319,579	\$ 319,579	\$ 835,368
Instructional personnel	24	1,398,731	503,994	1,902,725	-	-	1,902,725
Total salaries and wages	30	1,828,491	590,023	2,418,514	319,579	319,579	2,738,093
Fringe benefits and payroll taxes		316,221	102,039	418,260	55,268	55,268	473,528
Retirement benefits		46,821	15,108	61,929	8,183	8,183	70,112
Legal services		-	-	-	12,056	12,056	12,056
Accounting/Audit services		-	-	-	8,503	8,503	8,503
Management company fees		-	-	-	695,941	695,941	695,941
Other Purchased/Professional/Consulting Services		256,881	52,294	309,175	69,374	69,374	378,549
Building rent		1,972,213	394,798	2,367,011	582,283	582,283	2,949,294
Repairs and maintenance		4,373	875	5,248	1,291	1,291	6,539
Insurance expense		24,511	4,907	29,418	7,237	7,237	36,655
Utilities		551	110	661	163	163	824
Supplies/Materials		140,749	28,175	168,924	-	-	168,924
Equipment/Furnishings		5,540	1,109	6,649	1,636	1,636	8,285
Leased equipment		6,860	1,373	8,233	2,025	2,025	10,258
Staff development		57,943	23,192	81,135	17,137	17,137	98,272
Marketing/Recruitment		67,086	13,429	80,515	872	872	81,387
Technology		35,279	7,062	42,341	10,416	10,416	52,757
Student services		57,972	11,605	69,577	-	-	69,577
Office expense		1,807	362	2,169	17,501	17,501	19,670
Travel and conferences		3,080	616	3,696	909	909	4,605
Depreciation and amortization		114,495	22,920	137,415	33,804	33,804	171,219
Other		14,072	4,122	18,194	40,962	40,962	59,156
		<u>\$ 4,954,945</u>	<u>\$ 1,274,119</u>	<u>\$ 6,229,064</u>	<u>\$ 1,885,140</u>	<u>\$ 1,885,140</u>	<u>\$ 8,114,204</u>

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

STATEMENT OF FUNCTIONAL EXPENSES BY CHARTER

YEAR ENDED JUNE 30, 2023

		Brilla Pax					
		Program Services			Supporting Services		Total
		Regular Education	Special Education	Sub-total	Management and general	Sub-total	
		No. of Positions					
Personnel Services Costs:							
Administrative staff personnel	7	\$ 491,167	\$ 108,033	\$ 599,200	\$ 315,026	\$ 315,026	\$ 914,226
Instructional personnel	26	1,372,449	622,848	1,995,297	-	-	1,995,297
Total salaries and wages	33	1,863,616	730,881	2,594,497	315,026	315,026	2,909,523
Fringe benefits and payroll taxes		318,961	125,091	444,052	53,917	53,917	497,969
Retirement benefits		43,695	17,137	60,832	7,386	7,386	68,218
Legal services		-	-	-	12,056	12,056	12,056
Accounting/Audit services		-	-	-	8,503	8,503	8,503
Management company fees		-	-	-	591,529	591,529	591,529
Other Purchased/Professional/Consulting Services		238,014	53,527	291,541	67,941	67,941	359,482
Building rent		1,809,850	398,079	2,207,929	741,364	741,364	2,949,293
Repairs and maintenance		6,576	1,446	8,022	2,694	2,694	10,716
Insurance expense		22,493	4,947	27,440	9,214	9,214	36,654
Utilities		31	7	38	13	13	51
Supplies/Materials		134,537	29,592	164,129	-	-	164,129
Equipment/Furnishings		1,034	228	1,262	424	424	1,686
Leased equipment		2,372	522	2,894	971	971	3,865
Staff development		49,849	18,450	68,299	14,430	14,430	82,729
Marketing/Recruitment		72,121	15,863	87,984	1,203	1,203	89,187
Technology		34,280	7,540	41,820	14,042	14,042	55,862
Student services		55,823	12,278	68,101	-	-	68,101
Office expense		646	142	788	15,090	15,090	15,878
Travel and conferences		1,565	344	1,909	641	641	2,550
Depreciation and amortization		69,306	15,244	84,550	28,390	28,390	112,940
Other		14,190	3,978	18,168	48,868	48,868	67,036
		<u>\$ 4,738,959</u>	<u>\$ 1,435,296</u>	<u>\$ 6,174,255</u>	<u>\$ 1,933,702</u>	<u>\$ 1,933,702</u>	<u>\$ 8,107,957</u>

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

BRONX, NEW YORK

**SCHEDULES REQUIRED BY GOVERNMENT AUDITING
STANDARDS AND THE UNIFORM GUIDANCE**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2023



BUSINESS
ADVISORS
AND CPAS

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INDEPENDENT AUDITOR'S 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*

Board of Trustees
Brilla College Preparatory Charter Schools

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 Brilla College Preparatory Charter Schools, which comprise the statement of financial position as of June 30, 2023 and the related statements of activities and changes in net assets, 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 27, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brilla College Preparatory Charter Schools' internal control over financial reporting (internal control) as a basis for designing 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 Brilla College Preparatory Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Brilla College Preparatory Charter Schools' 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brilla College Preparatory Charter Schools' financial statements are free of 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2023-001.

Brilla College Preparatory Charter Schools's Response to Finding

Brilla College Preparatory Charter Schools's response to finding identified in our audit is described in the accompanying schedule of findings and responses. Brilla College Preparatory Charter Schools's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 27, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
Brilla College Preparatory Charter Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Brilla College Preparatory Charter Schools' 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 Brilla College Preparatory Charter Schools' major federal programs for the year ended June 30, 2023. Brilla College Preparatory Charter Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Brilla College Preparatory Charter Schools complied, in all material respects, with the 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, 2023.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Brilla College Preparatory Charter Schools 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 Brilla College Preparatory Charter Schools' 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 Brilla College Preparatory Charter Schools' federal programs.

Auditor's 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 Brilla College Preparatory Charter Schools' 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 GAAS, *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 Brilla College Preparatory Charter Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Brilla College Preparatory Charter Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Brilla College Preparatory Charter Schools' 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 Brilla College Preparatory Charter Schools' 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 Auditor's 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Brilla College Preparatory Charter Schools as of and for the year ended June 30, 2023, and have issued our report thereon dated October 27, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 27, 2023

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

	<u>Federal AL Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education:			
<u>Passed through New York State Education Department:</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	\$ 956,236
Title IIA - Supporting Effective Instruction			
State Grant	84.367	0147	135,814
Title IIIA - English Language Learners	84.365	0293	71,705
Title IV- Student Support and Academic			
Enrichment Program	84.424	0204	75,021
Charter Schools Program - Replication and Expansion			
of High-Quality Charter Schools	84.282	0089	267,455
 <u>Education Stabilization Funds -</u>			
ESSER II - Elementary and Secondary School			
Emergency Relief Fund	84.425D	5891	954,200
ARP ESSER - American Rescue Plan-Elementary			
and Secondary School Emergency Relief	84.425U	5880	3,648,226
ESSER HCY - Elementary and Secondary School			
Emergency Relief Fund - Homeless Children & Youth	84.425W	5218	<u>4,708</u>
<i>Total Education Stabilization Funds</i>			<u>4,607,134</u>
 TOTAL U.S. DEPARTMENT OF EDUCATION			 <u><u>\$ 6,113,365</u></u>

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

NOTE A: BASIS OF PRESENTATION

The above schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of Brilla College Preparatory Charter Schools and is presented on the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Brilla College Preparatory Charter Schools has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
• Material weakness (es) identified?	_____	yes <u> x </u>	no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	yes <u> x </u>	no
Noncompliance material to financial statements noted?	<u> x </u>	yes _____	no

Federal Awards

Internal control over major programs:			
• Material weakness (es) identified?	_____	yes <u> x </u>	no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	yes <u> x </u>	none reported

Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	_____	yes <u> x </u>	no

Identification of major program:

AL Number:

84.425D & 84.425U & 84.425W

Name of Federal Program or Cluster:

ESSER II & ARP ESSER & ESSER HCY

Dollar threshold used to distinguish between type A and type B programs:	<u> \$750,000 </u>		
Auditee qualified as low-risk auditee?	<u> x </u>	yes _____	no

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2023

FINDING – FINANCIAL STATEMENT AUDIT

Finding 2023-001

Statement of condition

During our audit we noted Brilla College Preparatory Charter Schools was required to contribute \$25,000 to a dissolution fund for the Vertex Joint High School Program by June 30, 2023 in accordance with the provisions of the Charter Agreement section 8.9. The required escrow deposit was not made by the required date.

Criteria and effect of conditions

Management of the Joint High School, required further clarification from SUNY regarding the exact requirements of the dissolution funds as related to the Joint High School. As a result, management was delayed in remitting the deposits to the funds. Funds were deposited in accordance with the requirement as of October 4, 2023.

Future deposits of \$25,000 per fiscal year are required for each Education Corporation participating in the Joint High School Program until the total dissolution funds related to the Joint High School Program reach \$150,000.

Recommendation

We recommend management verify funds have been deposited to the dissolution funds on or about June 1st of each fiscal year. This will allow time for any necessary funds to be deposited prior to the deadline if necessary.

Management response

Management has deposited the overdue funds to each dissolution fund in accordance with the Charter Agreement section 8.9.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.

BRILLA COLLEGE PREPARATORY CHARTER SCHOOLS

REPORT TO THE AUDIT COMMITTEE

JUNE 30, 2023



BUSINESS
ADVISORS
AND CPAS

October 27, 2023

Audit Committee
Brilla College Preparatory Charter Schools

We have audited the financial statements of Brilla College Preparatory Charter Schools as of and for the year ended June 30, 2023, and have issued our report thereon dated October 27, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 7, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Brilla College Preparatory Charter Schools solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate and our firm have complied with all relevant ethical requirements regarding independence. Safeguards in place to eliminate or reduce threats to independence to an acceptable level include a skilled, knowledgeable and experienced outsourced finance team who reviews the draft financial statements prior to issuance and accepts responsibility for them.

Significant Risks Identified

The significant risks below were identified during the performance of our risk assessment procedures:

- Management override of controls
- Improper revenue recognition
- Misappropriation of assets
- Improper allocation of expenses to grants
- The potential for errors made in the implementation of ASC-842 Leases.

Professional auditing standards require that we identify and assess risks and design and perform our audit procedures to assess those risks. The identification of a risk does not mean that it has occurred, but rather is has the potential to impact the financial statements.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Brilla College Preparatory Charter Schools is included in Note A to the financial statements. In February 2016, the FASB issued a new standard related to leases requiring the recognition of right-of-use assets and lease liabilities on the balance sheet (ASC 842). As disclosed in Note A to the financial statements, during the year, Brilla College Preparatory Charter Schools adopted ASC 842. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

The most sensitive accounting estimates affecting the financial statements were the collectability of grants receivable, as well as the allocation of costs for the statement of functional expenses. We evaluated key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Brilla College Preparatory Charter Schools' financial statements relate to revenue and support recognition, which is referred to in the notes of the financial statements.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. No such misstatements were identified during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Brilla College Preparatory Charter Schools' financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Brilla College Preparatory Charter Schools, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

* * * *

Should you desire further information concerning these matters, Shelby Stenson will be happy to meet with you at your convenience.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, and management of Brilla College Preparatory Charter Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP



Mengel, Metzger, Barr & Co. LLP
Certified Public Accountants
100 Chestnut Street, Suite 1200
Rochester, New York 14604

This representation letter is provided in connection with your audits of the financial statements of Brilla College Preparatory Charter Schools, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, 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.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated June 7, 2023, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted for disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

- We have complied with all contractual agreements, grants, and donor restrictions.
- We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
- We have accurately presented the entity's position regarding taxation and tax-exempt status.
- The bases used for allocation of functional expenses are reasonable and appropriate.
- We have included in the financial statements all assets and liabilities under the entity's control.
- We have designed, implemented, and maintained adequate internal controls over the receipt and recording of contributions.
- Reclassifications between net asset classes are proper.
- Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.
- With respect to financial statement preparation, we have performed the following:
 - Made all management decisions and performed all management functions;
 - Assigned a competent individual to oversee the services;
 - Evaluated the adequacy of the services performed;
 - Evaluated and accepted the responsibility for the result of the services performed, and
 - Established and maintained internal controls, including monitoring ongoing activities.
- We have reviewed the Organization's draft financial statements prepared by you based upon financial information we provided to you. We have reviewed all supporting schedules and accept full responsibility for the Organization's consolidated financial statements prepared in accordance with U.S. GAAP.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable, including assumptions for purposes of calculating the lease liabilities under ASC 842.
- We have performed a comprehensive review of existing contracts for potential impacts of ASC 842 and all material leases have been properly accounted for and disclosed in the financial statements.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
 - Minutes of the meetings of the Board of Trustees and other committees, or summaries of actions of recent meetings for which minutes have not yet been prepared;
 - Additional information that you have requested from us for the purpose of the audits; and
 - Unrestricted access to persons within the organization from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans
- We have no knowledge of any fraud or suspected fraud that affects the organization and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the financial statements.

- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the organization's financial statements communicated by employees, former employees, analysts, regulators, or others.
- We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the Organization's related parties and all the related party relationships and transactions of which we are aware.

Single Audit

- With respect to federal awards, we represent the following to you:
 - We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).
 - We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
 - We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.
 - As part of your audits, you prepared the draft financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
 - The methods of measurement or presentation have not changed from those used in the prior year.
 - We believe the following significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
 - We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
 - We have identified and disclosed all of our government programs and related activities subject to the Uniform Guidance compliance audit.
 - When the schedule of expenditures of federal awards is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the Organization of the schedule of expenditures of federal awards and the auditor's report thereon.
 - We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.

- We have provided to you our interpretations of any compliance requirements that are subject to varying interpretations.
- We have made available to you all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
- We have received no requests from a federal agency to audit one or more specific programs as a major program.
- We have identified and disclosed to you all amounts questioned and any known noncompliance with the direct and material compliance requirements of federal awards, including the results of other audits or program reviews or stated that there was no such noncompliance. We also know of no instances of noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report.
- We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through Organization, as applicable.
- We have properly classified amounts claimed or used for matching in accordance with related guidelines in the Uniform Guidance, as applicable.
- We have charged costs to federal awards in accordance with applicable cost principles.
- We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- The reporting package does not contain personally identifiable information.
- We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes and an acknowledgment of the auditor's role in the preparation of this information.
- We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

- In addition:
 - We are responsible for understanding and complying with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program; and we have complied with these direct and material compliance requirements.
 - We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on our federal programs. Also, no changes have been made in the internal over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance have occurred subsequent to the period covered by the auditor's report.
 - We are responsible for and have accurately completed the appropriate sections of the Data Collection Form.

Supplementary Information in Relation to the Consolidated Financial Statements as a Whole

- With respect to the supplementary information accompanying the consolidated financial statements:
 - We acknowledge our responsibility for the presentation of the supplementary information in accordance with U.S. GAAP.
 - We believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - The methods of measurement or presentation have not changed from those used in the prior period.
 - We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Other Representations

- The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

Very truly yours,

BRILLA COLLEGE PREPRATORY CHARTER SCHOOLS

DocuSigned by:

Matt Salvatierra

A8205416A55141A...
Matt Salvatierra

Chief Financial Officer