



BROOKLYN DREAMS CHARTER SCHOOL

Financial Statements, Supplementary
Information, and Uniform Guidance Schedules
as of and for the Year Ended June 30, 2023,
and Independent Auditors' Reports

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BROOKLYN DREAMS CHARTER SCHOOL

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Independent Auditors' Report

Board of Trustees
Brooklyn Dreams Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Brooklyn Dreams Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and change in net assets without donor restriction, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brooklyn Dreams Charter School as of June 30, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brooklyn Dreams Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Brooklyn Dreams Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Brooklyn Dreams Charter School's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses for the year ended June 30, 2023 on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 15 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023, on our consideration of Brooklyn Dreams Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Brooklyn Dreams Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brooklyn Dreams Charter School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
November 30, 2023

BROOKLYN DREAMS CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

ASSETS

CURRENT ASSETS:

Cash	\$	191,618
Due from governmental revenue sources		<u>689,867</u>

Total Current Assets		881,485
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NON-CURRENT ASSETS:

Restricted cash		<u>78,310</u>
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TOTAL	\$	<u><u>959,795</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Deferred revenue	\$	148,821
Contracted service fee payable		<u>529,487</u>

Total Current Liabilities		678,308
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NET ASSETS:

Net assets without donor restriction		<u>281,487</u>
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TOTAL	\$	<u><u>959,795</u></u>
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See notes to the financial statements

BROOKLYN DREAMS CHARTER SCHOOL

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION
YEAR ENDED JUNE 30, 2023**

REVENUES, GAINS AND OTHER SUPPORT:

Public School District

Resident student enrollment \$ 9,946,562

Students with disabilities 1,177,794

Grants and Contracts

Federal grants 1,519,295

Federal IDEA 120,506

Other 81,709

Contribution of non-financial assets 282,007

Total Revenues, Gains and Other Support 13,127,873

EXPENSES:

Contracted service fee 13,200,022

Board funds 22,244

Total Expenses 13,222,266

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION (94,393)

NET ASSETS, WITHOUT DONOR RESTRICTION

Beginning of year 375,880

End of year \$ 281,487

See notes to the financial statements

BROOKLYN DREAMS CHARTER SCHOOL**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023**

	Program Services	Management and General	Total
Contracted Service Fee			
Total personnel services costs	\$ 5,749,576	\$ -	\$ 5,749,576
Retirement	111,705	-	111,705
Fringe benefits and payroll taxes	932,387	-	932,387
Accounting / Audit Services	32,770	88,561	121,331
Legal service	41,025	-	41,025
Other Purchased / Professional / Consulting Services	685,633	275,658	961,291
Supplies / Materials	348,324	-	348,324
Building and Land Rent / Lease	2,663,483	-	2,663,483
Utilities	236,805	-	236,805
Equipment / Furnishings	235,465	-	235,465
Food service	435,130	-	435,130
Repairs & maintenance	301,238	12,017	313,255
Office expense	58,004	2,759	60,763
Staff development	83,473	-	83,473
Student services	59,071	98,652	157,723
Technology	212,934	29,210	242,144
Marketing / Recruitment	208,414	176,279	384,693
Insurance	71,449	-	71,449
Other	50,000	-	50,000
Total Contracted Service Fee	12,516,886	683,136	13,200,022
Board funds	22,244	-	22,244
Total Expenses	<u>\$ 12,539,130</u>	<u>\$ 683,136</u>	<u>\$ 13,222,266</u>

See notes to the financial statements

BROOKLYN DREAMS CHARTER SCHOOL

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

State aid	\$ 10,993,555
Other state sources	8,378
Federal sources	1,415,135
Private sources	114,722
Payments for services rendered	<u>(12,501,293)</u>

Net Cash Provided by Operating Activities 30,497

Beginning of year 239,431

End of year \$ 269,928

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

Change in net assets without donor restriction	\$ (94,393)
Adjustments to reconcile change in net assets without donor restriction to net cash provided by operating activities:	
Due from governmental revenue sources	(123,171)
Accounts payable	(100)
Deferred revenue	(109,196)
Contracted service fee payable	<u>357,357</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 30,497

NON-CASH ACTIVITY — In-kind contribution from NHA \$ 282,007

See notes to the financial statements

BROOKLYN DREAMS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

1. NATURE OF OPERATIONS

Brooklyn Dreams Charter School (the "School") is a public charter school as defined by Article 56 of the New York State Education Law which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The School operates under a charter approved by the State University of New York Charter School Institute, which is responsible for oversight of the School's operations. The charter expires June 30, 2028 and is subject to renewal. Management believes the charter will be renewed in the ordinary course of business. The School provides education, at no cost to the parent and to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code as an organization described in Section 501(a)(1).

The School's primary source of revenue is provided by the State of New York and consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and was funded through payments from July 2022 through May 2023 for the year ended June 30, 2023.

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

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the School from all revenue sources and NHA pays the Board of Directors an amount equal to the lesser of two percent of state per pupil aid or \$50,000. These funds are property of the School and may be used by the School at the discretion of the board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BROOKLYN DREAMS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Policies — In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in the lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. As of July 1, 2022, the School's lease term did not exceed 12 months (Note 6). The School elected the practical expedients to exclude leases with terms of 12 months or less.

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

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position to the amounts presented in the statement of cash flows at June 30, 2023.

Cash	\$ 191,618
Restricted cash	78,310
	<u>\$ 269,928</u>

Deferred Revenue — Deferred revenue as of June 30, 2023 consists of funds received for services which have not yet been performed.

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

BROOKLYN DREAMS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets — Are presented as follows:

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

- *Net Assets without donor restriction* - Net assets which are not subject to donor imposed or governmental stipulations.
- *Net Assets with donor restriction* — represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restriction if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities and change in net assets without donor restriction as net assets released from restrictions. The School had no net assets with donor restriction at June 30, 2023

Revenues and contributions are reported as follows:

- Revenues, gains and other support are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed or governmental restrictions. Expenses are reported as decreases in net assets without donor restriction. Other assets are reported as increases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or governmental restriction. Expiration of temporary restrictions on net assets with donor restriction (i.e., the donor-stipulated purposes has been fulfilled and/or the stipulated time has elapsed) are reported as reclassifications between the applicable classes of net assets.
- Revenue is recorded when earned, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Management has assessed the need for an allowance for doubtful accounts and has determined that such an allowance is not necessary.

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

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

BROOKLYN DREAMS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for Uncertainty of Income Taxes – The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2020.

Functional Expense Allocation – The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses such as salaries, fringe benefits and payroll taxes, and retirement benefits have been allocated among program and management and general classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Marketing and Recruiting – Recruiting and marketing costs are expensed as incurred for staff and student recruitment. Recruiting and marketing expense for the year ended June 30, 2023 was \$384,693.

Contribution of Nonfinancial Assets – Included as revenue, gains, and other support in the Statement of Activities and Change in Net Assets Without Donor Restriction are contributions of nonfinancial assets also known as gifts in-kind. Contributed professional services are recognized if the services received a) create or enhance non-financial assets or b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. These services are recognized as program revenue and program or management and general expense and are valued at the estimated fair market value for the services as provided by the donor (NHA).

3. LIQUIDITY

The School had \$881,485 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$191,618 and amounts due from governmental revenue sources of \$689,867 at June 30, 2023. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The School has a goal to maintain financial assets, which consist of cash and short-term receivables on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$2,204,000 at June 30, 2023.

BROOKLYN DREAMS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

3. LIQUIDITY (continued)

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

4. RISK MANAGEMENT

The School is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2023, and claims did not exceed coverage less retained risk deductible amounts in the past fiscal year.

5. CONTINGENCIES

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

6. LEASE

The School has entered into a sublease agreement with NHA for a facility to house the School. The lease term is from July 1, 2022 through June 30, 2023. Annual rental payments required by the lease were \$2,354,748 payable in twelve monthly payments of \$196,229. This lease is automatically renewed on a year-to-year basis unless a notice of non-renewal is provided by either the School or NHA. The lease agreement can be cancelled upon termination of the NHA services agreement. Building and land rent and lease expense for the year ended June 30, 2023 was \$2,663,483.

The School is not a party to any leasing arrangements that meet the criteria for recognition of lease assets or liabilities under ASU No. 2016-02, *Leases* based on the noncancellable period being less than 12 months and applicability of the short-term lease exception for the facility lease agreement.

The School subsequently renewed the sublease with NHA for the period of July 1, 2023 through June 30, 2024, at the same rental rate.

BROOKLYN DREAMS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

7. CONCENTRATION OF REVENUE AND SUPPORT

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the year ended June 30, 2023, the School received approximately 85% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

8. CONTRIBUTION OF NONFINANCIAL ASSETS

In-kind donations recognized by the School for the year ended June 30, 2023 were \$282,007 for professional and other services. Professional and other services are valued at the estimated fair value based on current rates for similar services.

The School and NHA have entered into a services agreement (the "agreement") for NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. NHA receives as remuneration for its services an amount equal to the total revenue received by the School from all revenue sources. As part of the consideration received under the agreement, NHA also provides the facilities in which the School operates. The services are classified as program services or management and general expenses. Contributed nonfinancial assets did not have donor-imposed restrictions.

9. SUBSEQUENT EVENTS

Events or transactions for the year ended June 30, 2023 have been evaluated through November 30, 2023, the date the financial statements were available to be issued. The financial statements and the notes thereto do not reflect events or transactions after this date.

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**BROOKLYN DREAMS CHARTER SCHOOL
SUPPLEMENTARY INFORMATION**

June 30, 2023

BROOKLYN DREAMS CHARTER SCHOOL

SCHEDULE OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2023

		Program Services			Supporting
		Regular Education	Special Education	Total	Services Management and General
Personnel Services Costs					
Administrative Staff Personnel	8	\$ 682,934	\$ -	\$ 682,934	\$
Instructional Personnel	56	3,861,812	1,059,005	4,920,817	
Non-Instructional Personnel	1	145,825	-	145,825	
Total Personnel Services Costs	65	4,690,571	1,059,005	5,749,576	
Fringe Benefits & Payroll Taxes		764,693	167,694	932,387	
Retirement		90,278	21,427	111,705	
Legal Service		41,025	-	41,025	
Accounting / Audit Services		32,770	-	32,770	88,5
Other Purchased / Professional / Consulting Services		497,126	195,832	692,958	275,6
Building and Land Rent / Lease		2,110,810	552,673	2,663,483	
Repairs & Maintenance		238,731	62,507	301,238	12,0
Insurance		56,623	14,826	71,449	
Utilities		187,668	49,137	236,805	
Supplies / Materials		351,799	-	351,799	
Equipment / Furnishings		186,606	48,859	235,465	
Staff Development		87,295	1,863	89,158	
Marketing / Recruitment		208,414	-	208,414	176,2
Technology		180,512	32,422	212,934	29,2
Food Service		435,130	-	435,130	
Student Services		64,830	-	64,830	98,6
Office Expense		57,927	77	58,004	2,7
Other		50,000	-	50,000	
Total Expenses		\$ 10,332,808	\$ 2,206,322	\$ 12,539,130	\$ 683,1

See Independent Auditors' Report

Brooklyn Dreams Charter School

Uniform Guidance
Schedules and Reports

June 30, 2023

Brooklyn Dreams Charter School

Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients
<u>U.S. Department of Agriculture</u>			
Pass-Through New York State Education Department: COVID-19 Pandemic EBT Administrative Costs	10.649	210980	\$ -
Pass-Through New York State Education Department: <i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	Not Available	-
National School Lunch Program	10.555	Not Available	-
COVID-19 - Supply Chain Assistance Funds	10.555	Not Available	-
Total Child Nutrition Cluster			-
Total U.S. Department of Agriculture			-
<u>U.S. Department of Education</u>			
Pass-Through New York State Education Department:			
Title I Grants to Local Educational Agencies	84.010	0021-22-4765	-
Title I Grants to Local Educational Agencies	84.010	0021-23-4765	-
			-
English Language Acquisition State Grants	84.365	0293-23-4765	-
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-4765	-
Student Support and Academic Enrichment Program	84.424	0204-23-4765	-
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-4765	-
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4765	-
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4765	-
			-
Total U.S. Department of Education			-
Total Expenditures of Federal Awards			\$ -

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

Brooklyn Dreams Charter School

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Brooklyn Dreams Charter School (the "School"), under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditors' Report

**Board of Trustees
Brooklyn Dreams Charter School**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brooklyn Dreams Charter School (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and change in net assets without donor restriction, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

The School's Response to Finding

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

Harrison, New York
November 30, 2023



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

Independent Auditors' Report

**Board of Trustees
Brooklyn Dreams Charter School**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Brooklyn Dreams Charter School's (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

PKF O'Connor Davies, LLP

Harrison, New York
November 30, 2023

Brooklyn Dreams Charter School

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

X yes _____ none reported

Noncompliance material to the financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

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

Unmodified

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

_____ yes X no

Identification of major federal programs:

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

84.425D

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund

84.425D

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II

84.425U

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP

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

\$750,000

Auditee qualified as low-risk auditee?

X yes _____ no

Brooklyn Dreams Charter School

Schedule of Findings and Questioned Costs (*continued*) Year Ended June 30, 2023

Section II – Financial Statement Findings

2023-001- General Ledger Maintenance and Account Analysis (*repeat finding 2022-001*)

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials

See management corrective action plan in Appendix A.

Section III – Federal Award Findings and Questioned Costs

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



Brooklyn Dreams Charter School

June 30, 2023

Summary Schedule of Prior Audit Findings

Prior Year Finding Number: 2022-001 – General Ledger Maintenance and Account Analysis

Fiscal Year in Which the Finding Initially Occurred: Year Ended June 30, 2022

Federal Program, Assistance Listing Number and Name: N/A

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

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

Status/Partial Corrective Action (as applicable): The School's audits for FY22 was delayed due to turnover and staffing issues within NHA's audit function as well as the substantial amount of single audit testing that was required as a result of the ESSER grants. NHA has added staff to handle the additional compliance testing and will continue to provide resources in this area to prevent delays in the future. Condition still exists at June 30, 2023 as mentioned in **2023-001**.

Brooklyn Dreams Charter School

Independent Auditors' Report on Communication of Internal Control Matters

June 30, 2023

Board of Trustees
Brooklyn Dreams Charter School

In planning and performing our audit of the financial statements of Brooklyn Dreams Charter School (the "School") as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the School's internal control presented in Addendum A to be a significant deficiency.

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

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

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

PKF O'Connor Davies, LLP

Harrison, New York
November 30, 2023

Addendum A

Deficiencies in Internal Control that We Consider to be Significant Deficiencies

1. General Ledger Maintenance and Account Analysis

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

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

Addendum B

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

2. Maintenance of Student Files

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

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