

Explore Charter Schools of Brooklyn

Financial Statements

June 30, 2025 and 2024

Independent Auditors' Report

Board of Trustees
Explore Charter Schools of Brooklyn

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Explore Charter Schools of Brooklyn (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Explore Charter Schools of Brooklyn as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Explore Charter Schools of Brooklyn'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 Explore Charter Schools of Brooklyn'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 Explore Charter Schools of Brooklyn's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school for the year ended June 30, 2025 on pages 17 through 20 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2025, on our consideration of Explore Charter Schools of Brooklyn'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 Explore Charter Schools of Brooklyn'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 Explore Charter Schools of Brooklyn's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 20, 2025

Explore Charter Schools of Brooklyn

Statements of Financial Position

	June 30,	
	2025	2024
ASSETS		
Current Assets		
Cash	\$ 2,331,591	\$ 2,851,105
Grants and contracts receivable	375,155	1,593,735
Prepaid expenses and other current assets	24,181	49,001
Total Current Assets	2,730,927	4,493,841
Investments	4,892,309	4,724,979
Property and equipment, net	2,883,893	2,869,097
Restricted cash	225,027	230,954
	\$ 10,732,156	\$ 12,318,871
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 839,032	\$ 1,144,429
Accrued payroll and payroll taxes	2,250,187	3,268,794
Refundable advances	-	32,642
Due to related party	506,227	979,534
Total Current Liabilities	3,595,446	5,425,399
Net Assets, Without Donor Restrictions		
Undesignated	3,636,710	3,393,472
Board-designated	3,500,000	3,500,000
Total Net Assets, Without Donor Restrictions	7,136,710	6,893,472
	\$ 10,732,156	\$ 12,318,871

See notes to financial statements

Explore Charter Schools of Brooklyn

Statements of Activities

	Year Ended June 30,	
	2025	2024
OPERATING REVENUE		
State and Local Per Pupil Operating Revenue		
General education	\$ 32,220,626	\$ 34,578,016
Special education	4,671,020	5,037,516
Federal grants	953,961	2,807,485
Federal E-Rate and IDEA	357,833	741,463
State grants	120,722	152,109
Total Operating Revenue	38,324,162	43,316,589
EXPENSES		
Program Services		
Regular education	22,154,295	26,222,291
Special education	8,164,839	11,537,233
Total Program Services	30,319,134	37,759,524
Supporting Services		
Management and general	8,086,779	8,194,507
Total Expenses	38,405,913	45,954,031
Deficit from Operations	(81,751)	(2,637,442)
SUPPORT, OTHER REVENUE AND LOSSES		
Contributions	-	128,550
Interest and other income	289,520	167,912
Unrealized gain on investments	34,652	182,033
Realized gain on investments	817	55
Loss on disposal of property and equipment	-	(615,579)
Forgiveness of debt - related party	-	269,844
Write-off of uncollectible receivables	-	(177,253)
Total Support, Other Revenue and Losses	324,989	(44,438)
Change in Net Assets	243,238	(2,681,880)
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	6,893,472	9,575,352
End of year	\$ 7,136,710	\$ 6,893,472

See notes to financial statements

Explore Charter Schools of Brooklyn

Statement of Functional Expenses Year Ended June 30, 2025

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	59	\$ 4,374,822	\$ 1,827,456	\$ 6,202,278	\$ 1,268,441	\$ 7,470,719
Instructional personnel	173	8,487,589	3,547,155	12,034,744	2,458,171	14,492,915
Total Personnel Services Costs	<u>232</u>	12,862,411	5,374,611	18,237,022	3,726,612	21,963,634
Fringe benefits and payroll taxes		3,205,044	1,339,431	4,544,475	926,952	5,471,427
Retirement		189,206	79,173	268,379	54,383	322,762
Management company fees		2,007,452	476,173	2,483,625	2,057,861	4,541,486
Legal services		-	-	-	63,407	63,407
Accounting / audit services		-	-	-	91,118	91,118
Other purchased / professional / consulting services		475,825	104,745	580,570	344,494	925,064
Repairs and maintenance		54,101	14,311	68,412	12,073	80,485
Insurance		224,686	51,878	276,564	48,806	325,370
Utilities		157,795	36,081	193,876	34,214	228,090
Supplies / materials		570,150	136,332	706,482	-	706,482
Equipment / furnishings		21,165	5,142	26,307	4,642	30,949
Staff development		378,657	89,505	468,162	90,089	558,251
Marketing / recruitment		348,405	83,732	432,137	112,872	545,009
Technology		646,810	155,200	802,010	141,532	943,542
Food service		1,161	240	1,401	-	1,401
Student services		438,711	105,855	544,566	-	544,566
Office expense		186,395	20,711	207,106	207,107	414,213
Depreciation and amortization		22,492	4,963	27,455	91,103	118,558
Other		363,829	86,756	450,585	79,514	530,099
 Total Expenses		<u>\$ 22,154,295</u>	<u>\$ 8,164,839</u>	<u>\$ 30,319,134</u>	<u>\$ 8,086,779</u>	<u>\$ 38,405,913</u>

See notes to financial statements

Explore Charter Schools of Brooklyn

Statement of Functional Expenses Year Ended June 30, 2024

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	68	\$ 5,200,814	\$ 2,629,389	\$ 7,830,203	\$ 1,369,145	\$ 9,199,348
Instructional personnel	209	10,252,752	5,219,685	15,472,437	2,667,931	18,140,368
Total Personnel Services Costs	<u>277</u>	15,453,566	7,849,074	23,302,640	4,037,076	27,339,716
Fringe benefits and payroll taxes		3,815,768	1,921,470	5,737,238	995,186	6,732,424
Retirement		143,172	57,789	200,961	34,815	235,776
Management company fees		2,570,097	626,902	3,196,999	1,677,349	4,874,348
Legal services		-	-	-	41,200	41,200
Accounting / audit services		-	-	-	86,158	86,158
Other purchased / professional / consulting services		636,719	170,568	807,287	489,609	1,296,896
Repairs and maintenance		31,759	8,920	40,679	7,179	47,858
Insurance		211,692	52,684	264,376	46,655	311,031
Utilities		253,723	73,938	327,661	57,823	385,484
Supplies / materials		645,931	167,351	813,282	-	813,282
Equipment / furnishings		74,641	18,262	92,903	16,395	109,298
Staff development		368,501	95,598	464,099	92,380	556,479
Marketing / recruitment		261,492	66,187	327,679	47,846	375,525
Technology		822,195	211,997	1,034,192	182,505	1,216,697
Food service		3,076	849	3,925	-	3,925
Student services		563,792	152,732	716,524	-	716,524
Office expense		223,959	24,884	248,843	248,844	497,687
Depreciation and amortization		26,163	4,101	30,264	107,021	137,285
Other		116,045	33,927	149,972	26,466	176,438
 Total Expenses		<u>\$ 26,222,291</u>	<u>\$ 11,537,233</u>	<u>\$ 37,759,524</u>	<u>\$ 8,194,507</u>	<u>\$ 45,954,031</u>

See notes to financial statements

Explore Charter Schools of Brooklyn

Statements of Cash Flows

	Year Ended June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 243,238	\$ (2,681,880)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	118,558	137,285
Unrealized gain on investments	(34,022)	(182,033)
Realized gain on investments	(817)	(55)
Loss on disposal of property and equipment	-	615,579
Forgiveness of debt - related party	-	(269,844)
Changes in operating assets and liabilities		
Grants and contracts receivable	1,218,580	173,507
Prepaid expenses and other current assets	24,820	97,204
Accounts payable and accrued expenses	(305,395)	(82,165)
Accrued payroll and payroll taxes	(1,018,607)	252,782
Refundable advances	(32,642)	(28,036)
Due to related party	(473,307)	(26,889)
Net Cash from Operating Activities	(259,594)	(1,994,545)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(133,356)	(60,288)
Purchase of Investments	(7,936,491)	(1,544,231)
Proceeds from maturity of investments	7,804,000	1,500,000
Net Cash from Investing Activities	(265,847)	(104,519)
 Net Change in Cash and Restricted Cash	(525,441)	(2,099,064)
CASH AND RESTRICTED CASH		
Beginning of year	3,082,059	5,181,123
End of year	\$ 2,556,618	\$ 3,082,059

See notes to financial statements

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2025 and 2024

1. Organization and Tax Status

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

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

Explore Charter School (“Explore”) - Explore was granted a provisional charter on June 12, 2001, valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York (“Board of Regents”). Explore obtained a renewal to its charter expiring on July 31, 2029.

Explore Empower Charter School (“Empower”) - Empower was granted a provisional charter on December 16, 2008, valid for a term of five years and renewable upon expiration by the Board of Regents. Empower obtained a renewal to its charter expiring on July 31, 2029.

Explore Excel Charter School (“Excel”) - Excel was granted a provisional charter on December 14, 2010, valid for a term of five years and renewable upon expiration by the Board of Regents. Excel obtained a renewal to its charter expiring on July 31, 2029.

Explore Exceed Charter School (“Exceed”) - Exceed was granted a provisional charter on September 13, 2011, valid for a term of five years and renewable upon expiration by the Board of Regents. Exceed obtained a renewal to its charter expiring on July 31, 2025. As of June 30, 2024, the board of trustees voted to close Exceed.

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

The School provided education to approximately 1,694 students in grades kindergarten through eighth grade during the 2024-2025 academic year.

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

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

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

Net Asset Presentation

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

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

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2025 and 2024.

Fair Value Measurements

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

Investment Valuation

Investments are stated at fair value.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2025 and 2024

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

Investment Income Recognition

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

Restricted Cash

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

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

	2025	2024
Cash	\$ 2,331,591	\$ 2,851,105
Restricted cash	225,027	230,954
	<u>\$ 2,556,618</u>	<u>\$ 3,082,059</u>

Property and Equipment

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

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

Furniture and fixtures	5 years
Computers and equipment	3 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2025 and 2024.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2025 and 2024

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

Refundable Advances

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

Revenue and Support

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

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

Marketing and Recruitment

The School uses marketing and recruitment specifically aimed at hiring staff and enrolling new students. Accordingly, all costs in marketing and recruitment are allocated to program and management and general expenditures and expensed as incurred. For the years ended June 30, 2025 and 2024, marketing and recruiting expenses totaled \$545,009 and \$375,525.

Measure of Operations

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

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses such as personnel service costs, fringe benefits and payroll taxes, management company fees, other purchased, professional, consulting services, supplies and materials, and technology have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2025 and 2024

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

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2022.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 20, 2025.

3. Grants and Contracts Receivable

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

4. Fair Value of Investments

The School's investments at June 30, 2025 and 2024 consist of the following:

	2025		
	Level 1	Level 2	Total
Certificates of deposit	\$ -	\$ 2,394,930	\$ 2,394,930
Mutual Funds	<u>2,315,967</u>	<u>-</u>	<u>2,315,967</u>
	<u>\$ 2,315,967</u>	<u>\$ 2,394,930</u>	<u>4,710,897</u>
Cash			<u>181,412</u>
			<u>\$ 4,892,309</u>

	2024		
	Level 1	Level 2	Total
Certificates of deposit	\$ -	\$ 2,341,073	\$ 2,341,073
US treasury notes	<u>744,017</u>	<u>-</u>	<u>744,017</u>
	<u>\$ 744,017</u>	<u>\$ 2,341,073</u>	<u>3,085,090</u>
Cash			<u>1,639,889</u>
			<u>\$ 4,724,979</u>

Interest income from investments reported in the statements of activities within interest and other income for the years ended June 30, 2025 and 2024 was \$212,989 and \$44,324.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2025 and 2024

5. Related Party Transactions (not disclosed elsewhere)

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

The School entered into a management agreement with ESI through June 30, 2016, which renews yearly to provide the School with educational management services and designs. Pursuant to the agreement, ESI is to select and implement educational programs, coaching and professional development to school-based leadership, manage the School’s business administration and support the Board of Trustees in all governance issues. As compensation to ESI for these services, the School paid an annual fee of 12% of the School’s general education per pupil operating revenue. Management fee expense for the years ended June 30, 2025 and 2024 was \$4,541,486 and \$4,874,348.

For operational efficiency and purchasing power, the School shares certain expenses with ESI. Net shared operational expenses, consisting primarily of medical benefits, charged to the School for the years ended June 30, 2025 and 2024 was \$2,038,477 and \$1,088,883. The net balance due to ESI at June 30, 2025 and 2024 was \$506,227 and \$979,534.

The ESI Board of Trustees voted to forgive half of the balance owed by Exceed at June 30, 2024. The School recorded a forgiveness of debt in the amount of \$269,844, included in other revenue in the 2024 statements of activities.

6. Property and Equipment

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

	2025	2024
Computers and equipment	\$ 41,450	\$ 41,450
Furniture and fixtures	26,138	44,515
Leasehold improvements	3,575,517	3,442,158
	3,643,105	3,528,123
Accumulated depreciation and amortization	(759,212)	(659,026)
	<u>\$ 2,883,893</u>	<u>\$ 2,869,097</u>

Property and equipment with a cost basis and accumulated depreciation of \$18,377 were disposed during the year ended June 30, 2025. Leasehold improvements with a cost basis of \$724,149 and accumulated depreciation of \$108,570 were disposed of during the year ended June 30, 2024, with a loss on disposal of property and equipment in the amount of \$615,579.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2025 and 2024

7. Liquidity and Availability of Financial Assets

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

	2025	2024
Cash	\$ 2,331,591	\$ 2,851,105
Grants and contracts receivable	375,155	1,593,735
Investments	4,892,309	4,724,979
	7,599,055	9,169,819
Board designated net assets	(3,500,000)	(3,500,000)
	<u>\$ 4,099,055</u>	<u>\$ 5,669,819</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in savings accounts and other highly liquid instruments until it is required for operational use. At June 30, 2025 and 2024, the Board of Trustees has designated \$3,500,000 of net assets without donor restrictions that could be drawn upon through board resolution and can be made available for current operations. In the event of an unanticipated liquidity need, the School could draw upon investments to cover any temporary shortfall in funding. The School will continue to rely on funding received from The New York City Department of Education to cover its future operating costs (see Note 10).

8. Employee Benefit Plan

The School maintains a defined contribution 403(b) plan covering all eligible employees. Under this plan, employer contributions are discretionary and are based on a percentage of employees' salaries as determined by the School's Board of Trustees. The School matched 50% of the employees' elective contributions not to exceed 10% of the employees' salary for the years ended June 30, 2025 and 2024. The total employer contribution did not exceed 5% of the employees' salary. Retirement expense incurred by the School for the years ended June 30, 2025 and 2024 amounted to \$322,762 and \$235,776.

9. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000. Investments are maintained at a broker which insures the balance up to \$500,000 with Securities Investor Protection Corporation ("SIPC") insurance. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2025 and 2024, approximately \$2,314,000 and \$2,832,000 was maintained with an institution in excess of FDIC limits, and approximately \$1,816,000 and \$0 of investments were maintained with an institution in excess of SIPC limits.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2025 and 2024

10. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2025 and 2024, the School received approximately 96% and 92% of its revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

11. School Facilities

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

12. Contingency

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

Explore Charter Schools of Brooklyn

Supplemental Information

June 30, 2025

Explore Charter Schools of Brooklyn

Schedule of Activities by School Year Ended June 30, 2025

	Explore	Empower	Excel	Total
OPERATING REVENUE				
State and Local Per Pupil Operating Revenue				
General education	\$ 10,910,536	\$ 9,478,441	\$ 11,831,649	\$ 32,220,626
Special education	1,383,387	1,708,822	1,578,811	4,671,020
Federal grants	319,984	286,441	347,536	953,961
Federal E-Rate and IDEA	98,531	138,519	120,783	357,833
State grants	<u>41,429</u>	<u>34,933</u>	<u>44,360</u>	<u>120,722</u>
Total Operating Revenue	<u>12,753,867</u>	<u>11,647,156</u>	<u>13,923,139</u>	<u>38,324,162</u>
EXPENSES				
Program Services				
Regular education	7,128,011	6,596,810	8,429,474	22,154,295
Special education	<u>2,607,600</u>	<u>2,526,680</u>	<u>3,030,559</u>	<u>8,164,839</u>
Total Program Services	9,735,611	9,123,490	11,460,033	30,319,134
Supporting Services				
Management and general	<u>2,659,705</u>	<u>2,513,161</u>	<u>2,913,913</u>	<u>8,086,779</u>
Total Expenses	<u>12,395,316</u>	<u>11,636,651</u>	<u>14,373,946</u>	<u>38,405,913</u>
Surplus (Deficit) from Operations	<u>358,551</u>	<u>10,505</u>	<u>(450,807)</u>	<u>(81,751)</u>
SUPPORT, OTHER REVENUE AND LOSSES				
Interest and other income	10,689	52,410	226,421	289,520
Unrealized gain on investments	-	-	34,652	34,652
Realized gain on investments	<u>-</u>	<u>-</u>	<u>817</u>	<u>817</u>
Total Support, Other Revenue and Losses	<u>10,689</u>	<u>52,410</u>	<u>261,890</u>	<u>324,989</u>
Change in Net Assets	369,240	62,915	(188,917)	243,238
NET ASSETS, WITHOUT DONOR RESTRICTIONS				
Beginning of year	<u>4,168,151</u>	<u>1,146,638</u>	<u>1,578,683</u>	<u>6,893,472</u>
End of year	<u>\$ 4,537,391</u>	<u>\$ 1,209,553</u>	<u>\$ 1,389,766</u>	<u>\$ 7,136,710</u>

Explore Charter School

Schedule of Functional Expenses - Explore Year Ended June 30, 2025

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	19	\$ 1,398,297	\$ 587,025	\$ 1,985,322	\$ 432,327	\$ 2,417,649
Instructional personnel	55	2,804,410	1,177,331	3,981,741	867,070	4,848,811
Total Personnel Services Costs	<u>74</u>	<u>4,202,707</u>	<u>1,764,356</u>	<u>5,967,063</u>	<u>1,299,397</u>	<u>7,266,460</u>
Fringe benefits and payroll taxes		1,023,688	429,759	1,453,447	316,505	1,769,952
Retirement		61,384	25,770	87,154	18,979	106,133
Management company fees		684,628	143,164	827,792	685,885	1,513,677
Legal services		-	-	-	14,509	14,509
Accounting / audit services		-	-	-	29,956	29,956
Other purchased / professional / consulting services		85,809	25,786	111,595	65,634	177,229
Repairs and maintenance		8,191	1,713	9,904	1,748	11,652
Insurance		71,237	14,896	86,133	15,200	101,333
Utilities		47,475	9,928	57,403	10,130	67,533
Supplies / materials		200,805	41,991	242,796	-	242,796
Equipment / furnishings		2,888	604	3,492	616	4,108
Staff development		116,919	23,947	140,866	6,792	147,658
Marketing / recruitment		115,005	24,049	139,054	47,970	187,024
Technology		196,139	41,015	237,154	41,851	279,005
Food service		1,015	212	1,227	-	1,227
Student services		129,240	27,026	156,266	-	156,266
Office expense		45,313	5,035	50,348	50,348	100,696
Depreciation and amortization		13,518	2,827	16,345	28,143	44,488
Other		122,050	25,522	147,572	26,042	173,614
Total Expenses		<u>\$ 7,128,011</u>	<u>\$ 2,607,600</u>	<u>\$ 9,735,611</u>	<u>\$ 2,659,705</u>	<u>\$ 12,395,316</u>

See independent auditors' report

Explore Empower Charter School

Schedule of Functional Expenses - Empower Year Ended June 30, 2025

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	17	\$ 1,401,242	\$ 579,326	\$ 1,980,568	\$ 410,832	\$ 2,391,400
Instructional personnel	51	2,446,437	1,011,448	3,457,885	717,273	4,175,158
Total Personnel Services Costs	<u>68</u>	<u>3,847,679</u>	<u>1,590,774</u>	<u>5,438,453</u>	<u>1,128,105</u>	<u>6,566,558</u>
Fringe benefits and payroll taxes		927,776	383,577	1,311,353	272,016	1,583,369
Retirement		38,567	15,945	54,512	11,308	65,820
Management company fees		566,196	186,769	752,965	623,885	1,376,850
Legal services		-	-	-	46,042	46,042
Accounting / audit services		-	-	-	29,956	29,956
Other purchased / professional / consulting services		185,527	25,786	211,313	127,219	338,532
Repairs and maintenance		27,271	8,996	36,267	6,400	42,667
Insurance		53,616	17,686	71,302	12,583	83,885
Utilities		35,370	11,667	47,037	8,301	55,338
Supplies / materials		168,054	55,436	223,490	-	223,490
Equipment / furnishings		7,368	2,430	9,798	1,729	11,527
Staff development		109,924	36,641	146,565	48,739	195,304
Marketing / recruitment		106,682	35,191	141,873	18,647	160,520
Technology		198,263	65,400	263,663	46,529	310,192
Student services		139,218	45,923	185,141	-	185,141
Office expense		76,183	8,465	84,648	84,648	169,296
Depreciation and amortization		2,937	969	3,906	22,136	26,042
Other		106,179	35,025	141,204	24,918	166,122
Total Expenses		<u>\$ 6,596,810</u>	<u>\$ 2,526,680</u>	<u>\$ 9,123,490</u>	<u>\$ 2,513,161</u>	<u>\$ 11,636,651</u>

See independent auditors' report

Explore Excel Charter School

Schedule of Functional Expenses - Excel
Year Ended June 30, 2025

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	23	\$ 1,575,283	\$ 661,105	\$ 2,236,388	\$ 425,282	\$ 2,661,670
Instructional personnel	67	3,236,742	1,358,376	4,595,118	873,828	5,468,946
Total Personnel Services Costs	<u>90</u>	<u>4,812,025</u>	<u>2,019,481</u>	<u>6,831,506</u>	1,299,110	<u>8,130,616</u>
Fringe benefits and payroll taxes		1,253,580	526,095	1,779,675	338,431	2,118,106
Retirement		89,255	37,458	126,713	24,096	150,809
Management company fees		756,628	146,240	902,868	748,091	1,650,959
Legal services		-	-	-	2,856	2,856
Accounting / audit services		-	-	-	31,206	31,206
Other purchased / professional / consulting services		204,489	53,173	257,662	151,641	409,303
Repairs and maintenance		18,639	3,602	22,241	3,925	26,166
Insurance		99,833	19,296	119,129	21,023	140,152
Utilities		74,950	14,486	89,436	15,783	105,219
Supplies / materials		201,291	38,905	240,196	-	240,196
Equipment / furnishings		10,909	2,108	13,017	2,297	15,314
Staff development		151,814	28,917	180,731	34,558	215,289
Marketing / recruitment		126,718	24,492	151,210	46,255	197,465
Technology		252,408	48,785	301,193	53,152	354,345
Food service		146	28	174	-	174
Student services		170,253	32,906	203,159	-	203,159
Office expense		64,899	7,211	72,110	72,111	144,221
Depreciation and amortization		6,037	1,167	7,204	40,824	48,028
Other		135,600	26,209	161,809	28,554	190,363
Total Expenses		<u>\$ 8,429,474</u>	<u>\$ 3,030,559</u>	<u>\$ 11,460,033</u>	<u>\$ 2,913,913</u>	<u>\$ 14,373,946</u>

See independent auditors' report

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

Independent Auditors' Report

Board of Trustees
Explore Charter Schools of Brooklyn

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Explore Charter Schools of Brooklyn (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

Harrison, New York
October 20, 2025