

Brooklyn Prospect Charter School

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

June 30, 2021 and 2020

Brooklyn Prospect Charter School

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

June 30, 2021 and 2020

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Independent Auditors' Report

**Board of Trustees
Brooklyn Prospect Charter School**

Report on the Financial Statements

We have audited the accompanying financial statements of Brooklyn Prospect Charter School (the "School"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2021 and 2020, 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.

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 charter for the year ended June 30, 2021 on pages 18 through 21 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 22 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 29, 2021

Brooklyn Prospect Charter School

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS		
Current Assets		
Cash	\$ 5,700,046	\$ 4,336,045
Grants and contracts receivable	1,557,267	1,058,353
Due from related parties	182,366	165,940
Prepaid expenses	18,218	142,736
Total Current Assets	7,457,897	5,703,074
Property and equipment, net	4,423,172	4,472,430
Restricted cash	175,159	151,586
Security deposits	2,691,315	1,534,497
	\$ 14,747,543	\$ 11,861,587
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 157,044	\$ 253,925
Deferred rent, current portion	443,393	1,254,321
Loan payable, current portion	250,000	-
Paycheck Protection Program loan payable, current portion	91,696	-
Refundable advances	43,735	30,291
Total Current Liabilities	985,868	1,538,537
Loan payable	1,100,000	-
Paycheck Protection Program loan payable	312,911	3,573,939
Deferred rent	2,660,990	651,980
Total Liabilities	5,059,769	5,764,456
Net assets, without donor restrictions	9,687,774	6,097,131
	\$ 14,747,543	\$ 11,861,587

See notes to financial statements

Brooklyn Prospect Charter School

Statements of Activities

	Year Ended June 30,	
	2021	2020
OPERATING REVENUE		
State and local per pupil operating revenue		
General education	\$ 26,226,768	\$ 23,847,710
Special education	4,150,330	3,657,033
Facilities	5,250,992	4,308,645
Federal grants	1,003,763	473,921
Federal IDEA	216,348	231,490
State and city grants	887,657	1,041,897
Total Operating Revenue	37,735,858	33,560,696
EXPENSES		
Program Services		
Regular education	26,146,790	24,415,973
Special education	6,579,540	6,224,338
Total Program Services	32,726,330	30,640,311
Supporting Services		
Management and general	6,176,753	5,190,274
Fundraising	95,053	115,561
Total Expenses	38,998,136	35,946,146
 (Deficit) from Operations	 (1,262,278)	 (2,385,450)
SUPPORT AND OTHER REVENUE		
Contributions from related party	531,267	263,606
Donated services	302,238	233,709
After school program	-	216,635
Field trips and events	-	64,178
Gain on forgiveness on Paycheck Protection Program loan	3,169,332	-
Facility rental reimbursement	500,000	-
Gain on transfer of leases to related party	-	2,177,805
Other income	350,084	351,342
Total Support and Other Revenue	4,852,921	3,307,275
 Change in Net Assets	 3,590,643	 921,825
NET ASSETS		
Beginning of year	6,097,131	5,175,306
 End of year	 \$ 9,687,774	 \$ 6,097,131

See notes to financial statements

Brooklyn Prospect Charter School

Statement of Functional Expenses
Year Ended June 30, 2021

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	26	\$ 1,310,926	\$ 327,732	\$ 1,638,658	\$ 679,744	\$ 13,489	\$ 2,331,891
Instructional personnel	196	11,534,045	2,883,512	14,417,557	-	-	14,417,557
Non-instructional personnel	45	1,215,066	303,767	1,518,833	106,565	-	1,625,398
Total Personnel Services Costs	<u>267</u>	<u>14,060,037</u>	<u>3,515,011</u>	<u>17,575,048</u>	<u>786,309</u>	<u>13,489</u>	<u>18,374,846</u>
Employee benefits and payroll taxes		3,047,808	761,952	3,809,760	170,061	2,918	3,982,739
Office expenses		386,116	96,529	482,645	214,751	263	697,659
Accounting and auditing		-	-	-	37,750	-	37,750
Legal fees		-	-	-	9,131	-	9,131
Donated legal services		-	-	-	302,238	-	302,238
Payroll service		-	-	-	123,404	-	123,404
General and administrative consultants		324,128	81,031	405,159	112,114	-	517,273
Management fee		1,168,294	292,074	1,460,368	2,791,878	42,952	4,295,198
Other professional fees		279,670	112,757	392,427	4,474	38	396,939
Professional development		66,067	16,517	82,584	-	-	82,584
Student and staff special events		110,301	27,576	137,877	2,474	44	140,395
Parent teacher organization		-	-	-	-	29,380	29,380
Curriculum and classroom		331,676	82,919	414,595	-	-	414,595
Insurance		-	-	-	150,052	-	150,052
Facilities expense		6,062,607	1,515,652	7,578,259	348,416	5,825	7,932,500
Technology		140,429	35,107	175,536	74,981	140	250,657
Depreciation and amortization		-	-	-	798,985	-	798,985
Miscellaneous		169,657	42,415	212,072	249,735	4	461,811
Total Expenses		<u>\$ 26,146,790</u>	<u>\$ 6,579,540</u>	<u>\$ 32,726,330</u>	<u>\$ 6,176,753</u>	<u>\$ 95,053</u>	<u>\$ 38,998,136</u>

Brooklyn Prospect Charter School

Statement of Functional Expenses
Year Ended June 30, 2020

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	27	\$ 1,177,877	\$ 294,469	\$ 1,472,346	\$ 602,773	\$ 25,635	\$ 2,100,754
Instructional personnel	196	11,130,193	2,782,548	13,912,741	-	-	13,912,741
Non-instructional personnel	66	1,381,599	345,399	1,726,998	116,206	-	1,843,204
Total Personnel Services Costs	<u>289</u>	13,689,669	3,422,416	17,112,085	718,979	25,635	17,856,699
Employee benefits and payroll taxes		3,139,665	784,916	3,924,581	165,134	5,890	4,095,605
Office expenses		292,132	73,033	365,165	71,174	461	436,800
Accounting and auditing		-	-	-	72,501	-	72,501
Legal fees		-	-	-	21,958	-	21,958
Donated legal services		-	-	-	233,709	-	233,709
Payroll service		-	-	-	101,820	-	101,820
General and administrative consultants		86,247	21,562	107,809	29,954	-	137,763
Management fee		1,058,334	264,583	1,322,917	2,529,105	38,909	3,890,931
Other professional fees		135,855	154,311	290,166	8,071	62	298,299
Professional development		121,679	30,420	152,099	6,363	227	158,689
Student and staff meals		9,637	2,409	12,046	-	-	12,046
Student and staff special events		153,131	38,282	191,413	4,271	153	195,837
Marketing and recruiting		-	-	-	8,796	-	8,796
Parent teacher organization		-	-	-	-	34,526	34,526
Curriculum and classroom		617,885	154,471	772,356	-	-	772,356
Insurance		-	-	-	124,414	-	124,414
Facilities expense		5,002,478	1,250,619	6,253,097	280,624	9,495	6,543,216
Technology		87,644	21,912	109,556	12,931	165	122,652
Depreciation and amortization		-	-	-	786,046	-	786,046
Miscellaneous		21,617	5,404	27,021	14,424	38	41,483
Total Expenses		<u>\$ 24,415,973</u>	<u>\$ 6,224,338</u>	<u>\$ 30,640,311</u>	<u>\$ 5,190,274</u>	<u>\$ 115,561</u>	<u>\$ 35,946,146</u>

Brooklyn Prospect Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,590,643	\$ 921,825
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	798,985	786,046
Deferred rent	1,198,082	1,392,097
Gain on forgiveness on Paycheck Protection Program loan	(3,169,332)	-
Gain on transfer of leases to related party	-	(2,177,805)
Changes in operating assets and liabilities		
Grants and contracts receivable	(498,914)	(544,872)
Prepaid expenses	124,518	(1,782)
Security deposits	(1,156,818)	(17,497)
Due from related parties	(16,426)	142,437
Accounts payable and accrued expenses	(96,881)	(410,905)
Refundable advances	13,444	5,688
Net Cash from Operating Activities	787,301	95,232
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(749,727)	(371,085)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	1,350,000	-
Paycheck Protection Program loan proceeds	-	3,573,939
Net Cash from Financing Activities	1,350,000	3,573,939
 Net Change in Cash and Restricted Cash	1,387,574	3,298,086
CASH AND RESTRICTED CASH		
Beginning of year	4,487,631	1,189,545
End of year	\$ 5,875,205	\$ 4,487,631

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2021 and 2020

1. Organization and Tax Status

Brooklyn Prospect Charter School (the "School") is an educational corporation that operates three charter schools in the borough of Brooklyn, New York. On July 28, 2008, the Board of Regents of the University of the State of New York (the "Board of Regents") granted the School a provisional charter ("CSD 15") valid for a term of five years and renewable upon expiration. On June 4, 2014, the Board of Regents granted the School a second provisional charter ("CSD 13") valid for a term of five years and renewable upon expiration. In July 2019, the Board of Regents granted the School a third provisional charter ("CSD 15.2") valid for a term of five years and renewable upon expiration. On August 1, 2019, the Board of Regents granted the School a full-term renewal for CSD 15 and CSD 13 for a period of five years effective until July 31, 2024. The School's mission is to be a kindergarten through twelfth grade college preparatory community where excellent teachers prepare a diverse student body to have a positive impact on society and a lifelong passion for learning. In the 2020-2021 academic year, the School operated classes for approximately 1,627 students in grades kindergarten through twelfth grade.

Effective July 1, 2021, International Charter School of New York ("ICSNY") merged onto the School. ICSNY ceased to exist as a separate legal entity. The merger was approved by the Board of Regents.

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

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 Assets 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.

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2021 and 2020

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

Net Assets Presentation (continued)

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 as of June 30, 2021 and 2020.

Restricted Cash

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

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

	<u>2021</u>	<u>2020</u>
Cash	\$ 5,700,046	\$ 4,336,045
Restricted cash	<u>175,159</u>	<u>151,586</u>
	<u>\$ 5,875,205</u>	<u>\$ 4,487,631</u>

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$3,000 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 such assets are expensed as incurred.

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

Computers and equipment	5 years
Furniture and fixtures	7 years
Software	3 years

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2021 and 2020

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

Property and Equipment (continued)

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, 2021 and 2020.

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are 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 if they are received with donor stipulations. Restricted 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.

Donated Services

Donated services are recognized as contributions in accordance with U.S. GAAP if the services create or enhance non-financial assets, require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School, and are measurable.

Marketing and Recruiting

Marketing and recruiting costs are expensed as incurred. Marketing and recruiting costs for the years ended June 30, 2021 and 2020 amounted to \$0 and \$8,796.

Measure of Operations

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

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2021 and 2020

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

Functional Expense Allocation

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

Accounting for Uncertainty 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, 2018.

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 29, 2021.

3. Grants and Contracts Receivable

Grants and contracts receivable consists 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 for doubtful account and has determined that such allowance was not necessary.

4. Property and Equipment

Property and equipment consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Computers and equipment	\$ 2,096,897	\$ 1,545,414
Furniture and fixtures	1,871,785	1,735,832
Software	33,744	33,744
Leasehold improvements	5,283,099	5,239,802
Construction-in-progress	<u>34,943</u>	<u>15,949</u>
	9,320,468	8,570,741
Accumulated depreciation and amortization	<u>(4,897,296)</u>	<u>(4,098,311)</u>
	<u>\$ 4,423,172</u>	<u>\$ 4,472,430</u>

For the years ended June 30, 2021 and 2020, the School disposed of fully depreciated property and equipment totaling \$0 and \$782,414.

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2021 and 2020

4. Property and Equipment (*continued*)

Construction-in-progress at June 30, 2021 and 2020 is comprised of architect fees and other soft costs for the planning, development, and construction of the new elementary school's permanent facility.

5. 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:

	2021	2020
Cash	\$ 5,700,046	\$ 4,336,045
Grants and contracts receivable	1,557,267	1,058,353
Due from related parties	182,366	165,940
	<u>\$ 7,439,679</u>	<u>\$ 5,560,338</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 liquid instruments until it is required for operational use. 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 9).

6. Related Party Transactions (not disclosed elsewhere)

The School is an affiliate of Prospect Schools, Inc. ("Prospect"), a New York State not-for-profit corporation, through common management. Prospect was originally organized to provide financial support and other services to the School. Effective July 1, 2018, Prospect amended its legal purpose to act as a charter management organization and provide support as outlined in the agreement. The School entered into a five year agreement with Prospect effective July 1, 2018 which calls for Prospect to oversee the School in their development and implementation of the educational and instruction programs; support and assist the business administration of the School; assist in the recruitment of personnel and provide human resources services; and oversee the financial services and reports for the School. For the years end June 30, 2021 and 2020, the School paid Prospect an annual fee of 12% of the School's per pupil operating revenue, per pupil facilities revenue, federal Individuals with Disabilities Education Act revenue, and federal Titles revenue. The management fee for the years ended June 30, 2021 and 2020 amounted to \$4,295,198 and \$3,890,931.

For the years ended June 30, 2021 and 2020, the School received contributions of \$531,267 and \$263,606 from Prospect to cover specific program expenses.

The School is an affiliate of Friends of Prospect Schools, Inc. ("FOPS"), a New York State not-for-profit corporation, through common management. FOPS's purpose is to support the operation of the School by managing the School's real estate and facilities-related needs, and by raising funds and resources that will enable FOPS to provide support to the School and to enhance the experience of the School's students.

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2021 and 2020

6. Related Party Transactions (not disclosed elsewhere) (continued)

Lease agreements for one facility used by the School during fiscal 2020 and two facilities used by the School during fiscal 2019 were transferred to FOPS (see Note 12) and new sublease agreements were entered into between FOPS (sublandlord) and the School (subtenant). As a result of these transfers, unamortized deferred rent liability was written off resulting in a non-operating gain of \$0 and \$2,177,805 which is reported as gain on transfer of leases to related party in the statements of activities for years ended June 30, 2021 and 2020.

At June 30, 2021 and 2020, the outstanding balance due from Prospect and FOPS was \$182,366 and \$165,940.

7. 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.

8. 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. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2021 and 2020, approximately \$5,625,000 and \$4,237,000 of cash was maintained with an institution in excess of FDIC limits.

9. 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, 2021 and 2020, the School received approximately 84% and 86% 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.

10. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 401(k) for the benefit of its eligible employees. Under the plan, the School matched employee contributions up to 4% of the annual compensation covered under the employment arrangement with ADP Retirement Services. Total employer match for the years ended June 30, 2021 and 2020 amounted to \$227,834 and \$561,546.

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2021 and 2020

11. Donated Services

One law firm provided legal services to the School at no charge. The value of these services meets the criteria for recognition in the financial statements and was recorded at a fair value of \$302,238 and \$233,709 for the years ended June 30, 2021 and 2020. The value of these services is allocated to management and general services in the accompanying statements of activities and functional expenses.

12. Commitments

Facilities

In April 2012, the School signed a lease with The Roman Catholic Church of the Immaculate Heart of Mary for its middle and high school classrooms and office space under a non-cancelable lease expiring June 30, 2032, with an option to extend the lease for an additional 10 years. Under the terms of the lease, the School paid a security deposit in the amount of \$142,000. The School moved into its permanent facility on September 1, 2012 and commenced paying rent. In June 2019, the lease agreement was transferred to FOPS (see Note 6) and a new sublease agreement between FOPS (sublandlord) and the School (subtenant) was executed effective July 1, 2019 for a period of 23 years ending on June 30, 2042.

In May 2013, the School signed a lease with The Sisters of Saint Joseph for its elementary school classrooms and office space under a non-cancelable lease expiring June 30, 2023, with two options to extend the lease for an additional five years each. Under the terms of the lease, the School paid a security deposit in the amount of \$75,000. The School moved into this new facility on July 1, 2013 and commenced paying rent. In October 2018, the lease agreement was transferred to FOPS (see Note 6) and a new sublease agreement between FOPS (sublandlord) and the School (subtenant) was executed for a period of 15 years ending on June 30, 2033. With the upcoming merger with International Charter School of New York in fiscal year 2022 (see Note 15), the sublease agreement between FOPS and the School was modified for which a new security deposit of \$1,350,000 was required and due in fiscal year 2021 (see Note 13).

In August 2016, the School signed a lease with Metrotech, LLC 13 for its main office and after school activity center for its elementary students under a non-cancelable lease expiring June 30, 2034. Under this lease, the School has an option of extending the lease an additional five years. Under the terms of the lease, the School paid a security deposit in the amount of \$300,000. The School moved into this new facility on April 1, 2017 and commenced paying rent.

In June 2015, the School signed a lease with Power Realty Partners for its classrooms and office space under a non-cancelable lease for their second middle school expiring June 30, 2037. Under this lease, the School has an option of extending the lease an additional 10 years. Under the terms of the lease, the School paid a security deposit in the amount of \$600,000. In the fall of 2016, the second middle school opened at a temporary space provided by the New York City Department of Education. The School moved into the permanent facility in the fall of 2018. In October 2018, the lease agreement was transferred to FOPS (see Note 6) and a new sublease agreement between FOPS (sublandlord) and the School (subtenant) was executed for a period of 30 years ending on June 30, 2048.

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2021 and 2020

12. Commitments (*continued*)

In January 2017, the School signed a lease with 160 17th Street, LLC for its classrooms, office space, and outdoor play area under a non-cancelable lease for the first middle school expiring June 30, 2038. Under this lease, the School has an option of extending the lease an additional 20 years. Under the terms of the lease, the School is liable to pay a security deposit totaling \$600,000. The School paid \$400,000 during fiscal year 2019 with the remaining balance to be paid upon the issuance of the temporary certificate of occupancy in fiscal year 2022. The School had yet to move into the facility at June 30, 2021 and expects to move in and commence rent payments in the fall of 2023.

In July 2019, the School signed a lease with Caton Avenue Realty, LLC, for additional gym and dance space of the entire first floor under a non-cancelable lease for the Windsor Terrace middle and high schools expiring June 2021. Under this lease, the School has an option of extending the lease for an additional year. The School moved into its facility during fiscal year 2020 and commenced paying rent.

In April 2020, the School signed a lease with Brooklyn Laboratory Charter School for portions of its classrooms and office space under a non-cancelable lease for the temporary location of the new middle school expiring June 30, 2022. Under the terms of the lease, the School paid a security deposit totaling \$200,000. The School moved into its facility during fiscal year 2021 and commenced paying rent.

Future minimum lease payments under the above leases are as follows for the years ending June 30:

2022	\$ 8,827,464
2023	8,962,088
2024	9,136,241
2025	9,165,753
2026	9,169,466
Thereafter	<u>181,178,716</u>
	<u>\$ 226,439,728</u>

The School recognizes rent expense on a straight-line basis over the term of the leases. Rent expense in excess of payments is recorded as deferred rent in the accompanying statements of financial position. Facilities expense for the years ended June 30, 2021 and 2020 amounted to \$7,932,500 and \$6,543,216.

13. Loan Payable

On May 27, 2021, the School entered into a \$1,350,000 loan agreement with CSGF NYC Facility Fund, LLC (the "Lender") for the sole purpose of funding the security deposit required under the upcoming sublease with FOPS for the new downtown elementary school's facility lease. The loan will become due and payable, including accrued interest, in annual installments commencing April 15, 2022. The loan bears interest at 2.75% per annum through the maturity date of April 15, 2026. At June 30, 2021 and 2020, the School had an outstanding balance of \$1,350,000 and \$0.

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2021 and 2020

13. Loan Payable (*continued*)

Future minimum principal payments on the loan are as follows for years ended June 30:

2022	\$ 250,000
2023	250,000
2024	250,000
2025	300,000
2026	<u>300,000</u>
	<u>\$ 1,350,000</u>

14. Paycheck Protection Program Loan Payable

On May 4, 2020, the School qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified PPP lender, for an aggregate principal amount of \$3,573,939 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 0.98% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the PPP upon the School's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the School. The School applied for forgiveness of the PPP Loan with respect to these covered expenses.

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

On June 30, 2021, \$3,169,332 of principal and \$36,408 of accrued interest were forgiven by the U.S. Small Business Administration. The \$404,607 of unforgiven principal will be payable on a monthly basis in the amount of \$8,630 commencing on August 1, 2021 with the loan bearing the original 0.98% interest per annum rate.

Future minimum principal payments on the loan are as follows for years ended June 30:

2022	\$ 91,696
2023	100,988
2024	101,982
2025	<u>109,941</u>
	<u>\$ 404,607</u>

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2021 and 2020

15. Merger with International Charter School of New York

On June 24, 2020, Prospect entered into a transition agreement with International Charter School of New York (“ICSNY”) in which the School plans to consummate a merger with ICSNY. On October 23, 2020, the School, Prospect, and ICSNY entered into an agreement and plan of merger effective July 1, 2021. Under the agreement ICSNY merged into and with the School, where the School is the surviving entity and ICSNY will cease to exist upon the effective date.

16. Risks and Uncertainties

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

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Brooklyn Prospect Charter School

Supplementary Information

June 30, 2021

Brooklyn Prospect Charter School

Schedule of Activities by Charter
Year Ended June 30, 2021

	<u>CSD 15</u>	<u>CSD 13</u>	<u>CSD 15.2</u>	<u>Total</u>
OPERATING REVENUE				
State and local per pupil operating revenue				
General education	\$ 10,749,075	\$ 10,893,827	\$ 4,583,866	\$ 26,226,768
Special education	1,907,924	1,407,096	835,310	4,150,330
Facilities	1,055,314	2,921,881	1,273,797	5,250,992
Federal grants	366,747	202,338	434,678	1,003,763
Federal IDEA	113,496	76,483	26,369	216,348
State and city grants	<u>203,731</u>	<u>349,309</u>	<u>334,617</u>	<u>887,657</u>
Total Operating Revenue	<u>14,396,287</u>	<u>15,850,934</u>	<u>7,488,637</u>	<u>37,735,858</u>
EXPENSES				
Program Services				
Regular education	11,145,684	10,339,684	4,661,422	26,146,790
Special education	<u>2,797,612</u>	<u>2,598,446</u>	<u>1,183,482</u>	<u>6,579,540</u>
Total Program Services	13,943,296	12,938,130	5,844,904	32,726,330
Supporting Services				
Management and general	2,307,511	2,676,227	1,193,015	6,176,753
Fundraising	<u>31,719</u>	<u>39,561</u>	<u>23,773</u>	<u>95,053</u>
Total Expenses	<u>16,282,526</u>	<u>15,653,918</u>	<u>7,061,692</u>	<u>38,998,136</u>
Surplus (Deficit) from Operations	(1,886,239)	197,016	426,945	(1,262,278)
SUPPORT AND OTHER REVENUE				
Contributions from related party	74,616	104,677	351,974	531,267
Donated services	123,918	126,940	51,380	302,238
Gain on forgiveness on Paycheck Protection Program loan	1,299,426	1,331,119	538,787	3,169,332
Facility rental reimbursement	166,667	-	333,333	500,000
Other income	<u>141,571</u>	<u>143,392</u>	<u>65,121</u>	<u>350,084</u>
Total Support and Other Revenue	<u>1,806,198</u>	<u>1,706,128</u>	<u>1,340,595</u>	<u>4,852,921</u>
Change in Net Assets	(80,041)	1,903,144	1,767,540	3,590,643
NET ASSETS				
Beginning of year	<u>3,677,352</u>	<u>1,569,210</u>	<u>850,569</u>	<u>6,097,131</u>
End of year	<u>\$ 3,597,311</u>	<u>\$ 3,472,354</u>	<u>\$ 2,618,109</u>	<u>\$ 9,687,774</u>

Brooklyn Prospect Charter School

Schedule of Functional Expenses

CSD 15

Year Ended June 30, 2021

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	9	\$ 416,370	\$ 104,093	\$ 520,463	\$ 197,070	\$ 4,097	\$ 721,630
Instructional personnel	84	5,224,386	1,306,097	6,530,483	-	-	6,530,483
Non-instructional personnel	<u>12</u>	<u>406,940</u>	<u>101,735</u>	<u>508,675</u>	<u>29,945</u>	<u>-</u>	<u>538,620</u>
Total Personnel Services Costs	<u>105</u>	6,047,696	1,511,925	7,559,621	227,015	4,097	7,790,733
Employee benefits and payroll taxes		1,322,836	330,709	1,653,545	49,656	896	1,704,097
Office expenses		139,745	34,936	174,681	84,423	64	259,168
Accounting and auditing		-	-	-	15,465	-	15,465
Legal fees		-	-	-	3,744	-	3,744
Donated legal services		-	-	-	123,918	-	123,918
Payroll service		-	-	-	50,376	-	50,376
General and administrative consultants		116,638	29,159	145,797	38,347	-	184,144
Management fee		453,762	113,441	567,203	1,084,359	16,682	1,668,244
Other professional fees		155,413	50,042	205,455	1,193	11	206,659
Professional development		10,670	2,668	13,338	-	-	13,338
Student and staff special events		47,682	11,921	59,603	534	10	60,147
Parent teacher organization		-	-	-	-	8,157	8,157
Curriculum and classroom		131,827	32,957	164,784	-	-	164,784
Insurance		-	-	-	61,521	-	61,521
Facility expense		2,609,193	652,298	3,261,491	104,011	1,767	3,367,269
Technology		50,796	12,699	63,495	29,297	34	92,826
Depreciation and amortization		-	-	-	327,585	-	327,585
Miscellaneous		<u>59,426</u>	<u>14,857</u>	<u>74,283</u>	<u>106,067</u>	<u>1</u>	<u>180,351</u>
Total Expenses		<u>\$ 11,145,684</u>	<u>\$ 2,797,612</u>	<u>\$ 13,943,296</u>	<u>\$ 2,307,511</u>	<u>\$ 31,719</u>	<u>\$ 16,282,526</u>

Brooklyn Prospect Charter School

Schedule of Functional Expenses

CSD 13

Year Ended June 30, 2021

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	11	\$ 572,180	\$ 143,045	\$ 715,225	\$ 322,804	\$ 5,822	\$ 1,043,851
Instructional personnel	79	4,445,526	1,111,382	5,556,908	-	-	5,556,908
Non-instructional personnel	<u>23</u>	<u>555,334</u>	<u>138,834</u>	<u>694,168</u>	<u>60,496</u>	<u>-</u>	<u>754,664</u>
Total Personnel Services Costs	<u>113</u>	5,573,040	1,393,261	6,966,301	383,300	5,822	7,355,423
Employee benefits and payroll taxes		1,201,165	300,291	1,501,456	82,613	1,255	1,585,324
Office expenses		175,592	43,898	219,490	80,088	124	299,702
Accounting and auditing		-	-	-	16,743	-	16,743
Legal fees		-	-	-	3,835	-	3,835
Donated legal services		-	-	-	126,940	-	126,940
Payroll service		-	-	-	52,140	-	52,140
General and administrative consultants		93,706	23,426	117,132	38,209	-	155,341
Management fee		499,987	124,997	624,984	1,194,821	18,382	1,838,187
Other professional fees		93,853	36,987	130,840	1,956	19	132,815
Professional development		42,431	10,608	53,039	-	-	53,039
Student and staff special events		39,522	9,881	49,403	990	15	50,408
Parent teacher organization		-	-	-	-	11,400	11,400
Curriculum and classroom		110,620	27,655	138,275	-	-	138,275
Insurance		-	-	-	63,022	-	63,022
Facility expense		2,376,867	594,217	2,971,084	163,475	2,483	3,137,042
Technology		58,748	14,687	73,435	32,099	61	105,595
Depreciation and amortization		-	-	-	335,573	-	335,573
Miscellaneous		<u>74,153</u>	<u>18,538</u>	<u>92,691</u>	<u>100,423</u>	<u>-</u>	<u>193,114</u>
Total Expenses		<u>\$ 10,339,684</u>	<u>\$ 2,598,446</u>	<u>\$ 12,938,130</u>	<u>\$ 2,676,227</u>	<u>\$ 39,561</u>	<u>\$ 15,653,918</u>

Brooklyn Prospect Charter School

Schedule of Functional Expenses

CSD 15.2

Year Ended June 30, 2021

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	6	\$ 322,376	\$ 80,594	\$ 402,970	\$ 159,870	\$ 3,570	\$ 566,410
Instructional personnel	33	1,864,133	466,033	2,330,166	-	-	2,330,166
Non-instructional personnel	10	252,792	63,198	315,990	16,124	-	332,114
Total Personnel Services Costs	49	2,439,301	609,825	3,049,126	175,994	3,570	3,228,690
Employee benefits and payroll taxes		523,807	130,952	654,759	37,792	767	693,318
Office expenses		70,779	17,695	88,474	50,240	75	138,789
Accounting and auditing		-	-	-	5,542	-	5,542
Legal fees		-	-	-	1,552	-	1,552
Donated legal services		-	-	-	51,380	-	51,380
Payroll service		-	-	-	20,888	-	20,888
General and administrative consultants		113,784	28,446	142,230	35,558	-	177,788
Management fee		214,545	53,636	268,181	512,698	7,888	788,767
Other professional fees		30,404	25,728	56,132	1,325	8	57,465
Professional development		12,966	3,241	16,207	-	-	16,207
Student and staff special events		23,097	5,774	28,871	950	19	29,840
Parent teacher organization		-	-	-	-	9,823	9,823
Curriculum and classroom		89,229	22,307	111,536	-	-	111,536
Insurance		-	-	-	25,509	-	25,509
Facility expense		1,076,547	269,137	1,345,684	80,930	1,575	1,428,189
Technology		30,885	7,721	38,606	13,585	45	52,236
Depreciation and amortization		-	-	-	135,827	-	135,827
Miscellaneous		36,078	9,020	45,098	43,245	3	88,346
Total Expenses		\$ 4,661,422	\$ 1,183,482	\$ 5,844,904	\$ 1,193,015	\$ 23,773	\$ 7,061,692

Brooklyn Prospect Charter School

Uniform Guidance
Schedules and Reports

June 30, 2021

Brooklyn Prospect Charter School

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Education</u>				
Pass-through the New York State Education Department:				
Charter Schools	84.282	0089-21-1023	\$ -	\$ 275,452
Title I Grants to Local Educational Agencies	84.010	0021-21-5260	-	105,239
Title I Grants to Local Educational Agencies	84.010	0021-21-4545	-	183,079
Title I Grants to Local Educational Agencies	84.010	0021-21-5495	-	74,263
			<u>-</u>	<u>362,581</u>
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-21-5260	-	14,784
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-21-4545	-	15,764
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-21-5495	-	13,516
			<u>-</u>	<u>44,064</u>
Student Support and Academic Enrichment Program	84.424	0204-21-5260	-	10,000
Student Support and Academic Enrichment Program	84.424	0204-21-4545	-	12,638
Student Support and Academic Enrichment Program	84.424	0204-21-5495	-	10,000
			<u>-</u>	<u>32,638</u>
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425	5890-21-5260	-	72,315
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425	5890-21-4545	-	152,458
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425	5890-21-5495	-	24,004
			<u>-</u>	<u>248,777</u>
Total U.S. Department of Education			<u>-</u>	<u>963,512</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 963,512</u>

Brooklyn Prospect Charter School

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Brooklyn Prospect Charter School (the "School") under programs of the federal government for the year ended June 30, 2021. 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 cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass through entity identifying numbers are presented when available.

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 Prospect 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 Prospect Charter School (the "School"), which comprise the statement of financial position as of June 30, 2021, 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 29, 2021.

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) to determine the 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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

Harrison, New York
October 29, 2021

**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 Prospect Charter School**

Report on Compliance for Each Major Federal Program

We have audited Brooklyn Prospect Charter School's (the "School") compliance with the types of compliance requirements described 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, 2021. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

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, 2021.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Brooklyn Prospect Charter School
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to the financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.282	Charter Schools
84.425	Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ___yes X no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2021.

Section III – Federal Award Findings and Questioned Costs

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

Section IV – Prior Year Findings

Not applicable. The School was not subject to the Uniform Guidance for the year ended June 30, 2020.

Board of Trustees
Brooklyn Prospect Charter School

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of Brooklyn Prospect Charter School (the "School") as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

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

This communication is intended solely for the information and use of management, the audit committee, the Board of Trustees, 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 and should not be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP

Harrison, New York
October 29, 2021