

Brooklyn Prospect Charter School

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

June 30, 2022 and 2021

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TABLE OF CONTENTS	Page
Independent Auditors' Report	
 FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9
 SUPPLEMENTARY INFORMATION	
Schedule of Activities by Charter	19
Schedule of Functional Expenses – CSD 13	20
Schedule of Functional Expenses – CSD 15.2	21
Schedule of Functional Expenses – CSD 13.2	22
 UNIFORM GUIDANCE SCHEDULES AND REPORTS	
Schedule of Expenditures of Federal Awards	23
Notes to Schedule of Expenditures of Federal Awards	24
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	
Schedule of Findings and Questioned Costs	30

Independent Auditors' Report

Board of Trustees
Brooklyn Prospect Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Brooklyn Prospect Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brooklyn Prospect Charter School as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Supplementary Information

Our 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, 2022 on pages 19 through 22 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 23 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, on our consideration of Brooklyn Prospect Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Brooklyn Prospect Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brooklyn Prospect Charter School's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 31, 2022

Brooklyn Prospect Charter School

Statements of Financial Position

	June 30,	
	2022	2021
ASSETS		
Current Assets		
Cash	\$ 7,310,077	\$ 5,700,046
Grants and contracts receivable	4,098,542	1,557,267
Due from related parties	308,479	182,366
Prepaid expenses	<u>167,126</u>	<u>18,218</u>
Total Current Assets	11,884,224	7,457,897
Property and equipment, net	5,398,626	4,423,172
Restricted cash	200,054	175,159
Security deposits	<u>3,016,314</u>	<u>2,691,315</u>
	<u>\$ 20,499,218</u>	<u>\$ 14,747,543</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 681,808	\$ 157,044
Deferred rent, current portion	2,624,852	443,393
Loan payable, current portion	250,000	250,000
Paycheck Protection Program loan payable, current portion	100,988	91,696
Refundable advances	<u>120,944</u>	<u>43,735</u>
Total Current Liabilities	3,778,592	985,868
Loan payable	850,000	1,100,000
Paycheck Protection Program loan payable	212,998	312,911
Deferred rent	<u>1,857,828</u>	<u>2,660,990</u>
Total Liabilities	6,699,418	5,059,769
Net assets, without donor restrictions	<u>13,799,800</u>	<u>9,687,774</u>
	<u>\$ 20,499,218</u>	<u>\$ 14,747,543</u>

See notes to financial statements

Brooklyn Prospect Charter School

Statements of Activities

	Year Ended June 30,	
	2022	2021
OPERATING REVENUE		
State and local per pupil operating revenue		
General education	\$ 34,861,066	\$ 26,226,768
Special education	4,869,086	4,150,330
Facilities	8,904,588	5,250,992
Federal grants	3,645,917	1,003,763
Federal IDEA	459,978	216,348
State and city grants	1,014,662	887,657
Total Operating Revenue	<u>53,755,297</u>	<u>37,735,858</u>
EXPENSES		
Program Services		
Regular education	37,240,160	26,146,790
Special education	9,427,058	6,579,540
Total Program Services	46,667,218	32,726,330
Supporting Services		
Management and general	8,040,796	6,176,753
Fundraising	221,397	95,053
Total Expenses	<u>54,929,411</u>	<u>38,998,136</u>
 (Deficit) from Operations	 <u>(1,174,114)</u>	 <u>(1,262,278)</u>
SUPPORT AND OTHER REVENUE		
Contributions from related party	384,928	531,267
Donated services	26,551	302,238
After school program	224,434	-
Gain on forgiveness of Paycheck Protection Program loan	-	3,169,332
Facility rental reimbursement	-	500,000
Other income	315,631	350,084
Total Support and Other Revenue	<u>951,544</u>	<u>4,852,921</u>
 Change in Net Assets	 (222,570)	 3,590,643
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Beginning of year	9,687,774	6,097,131
 Transfer of net assets pursuant to merger of International Charter School of New York	 <u>4,334,596</u>	 <u>-</u>
 End of year	 <u>\$ 13,799,800</u>	 <u>\$ 9,687,774</u>

See notes to financial statements

Brooklyn Prospect Charter School

Statement of Functional Expenses
Year Ended June 30, 2022

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	42	\$ 2,361,240	\$ 590,310	\$ 2,951,550	\$ 1,125,027	\$ 19,892	\$ 4,096,469
Instructional personnel	264	15,513,452	3,878,362	19,391,814	-	-	19,391,814
Non-instructional personnel	48	1,767,004	441,751	2,208,755	114,080	-	2,322,835
Total Personnel Services Costs	<u>354</u>	19,641,696	4,910,423	24,552,119	1,239,107	19,892	25,811,118
Employee benefits and payroll taxes		4,717,498	1,179,374	5,896,872	298,256	4,783	6,199,911
Office expenses		615,293	153,823	769,116	129,403	449	898,968
Accounting and auditing		-	-	-	78,912	-	78,912
Legal fees		-	-	-	4,884	-	4,884
Donated legal services		-	-	-	26,551	-	26,551
Payroll service		-	-	-	160,307	-	160,307
General and administrative consultants		253,359	63,339	316,698	93,843	-	410,541
Management fee		1,627,015	406,753	2,033,768	3,888,087	59,817	5,981,672
Other professional fees		920,965	347,261	1,268,226	10,409	67	1,278,702
Professional development		141,864	35,465	177,329	-	-	177,329
Student and staff special events		256,056	64,015	320,071	7,623	123	327,817
Parent teacher organization		-	-	-	-	127,429	127,429
Curriculum and classroom		659,565	164,891	824,456	-	-	824,456
Insurance		-	-	-	246,249	-	246,249
Facilities expense		8,168,386	2,042,097	10,210,483	550,032	8,600	10,769,115
Technology		226,723	56,681	283,404	52,722	231	336,357
Depreciation and amortization		-	-	-	1,097,428	-	1,097,428
Loss on disposal of property and equipment		-	-	-	95,871	-	95,871
Miscellaneous		11,740	2,936	14,676	61,112	6	75,794
Total Expenses		<u>\$ 37,240,160</u>	<u>\$ 9,427,058</u>	<u>\$ 46,667,218</u>	<u>\$ 8,040,796</u>	<u>\$ 221,397</u>	<u>\$ 54,929,411</u>

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	267	14,060,037	3,515,011	17,575,048	786,309	13,489	18,374,846
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		\$ 26,146,790	\$ 6,579,540	\$ 32,726,330	\$ 6,176,753	\$ 95,053	\$ 38,998,136

See notes to financial statements

Brooklyn Prospect Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (222,570)	\$ 3,590,643
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,097,428	798,985
Loss on disposal of property and equipment	95,871	-
Deferred rent	1,377,299	1,198,082
Gain on forgiveness of Paycheck Protection Program loan	-	(3,169,332)
Changes in operating assets and liabilities		
Grants and contracts receivable	(2,468,547)	(498,914)
Prepaid expenses	105,325	124,518
Security deposits	(142,804)	(1,156,818)
Due from related parties	(126,113)	(16,426)
Accounts payable and accrued expenses	78,260	(96,881)
Refundable advances	77,209	13,444
Net Cash from Operating Activities	(128,642)	787,301
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(1,956,742)	(749,727)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash acquired from merger of International Charter School of New York	4,060,931	-
Repayment of loan payable	(250,000)	-
Repayment of Paycheck Protection Program loan	(90,621)	-
Proceeds from loan payable	-	1,350,000
Net Cash from Financing Activities	3,720,310	1,350,000
Net Change in Cash and Restricted Cash	1,634,926	1,387,574
CASH AND RESTRICTED CASH		
Beginning of year	5,875,205	4,487,631
End of year	<u>\$ 7,510,131</u>	<u>\$ 5,875,205</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 43,401	\$ 30,569

Brooklyn Prospect Charter School

Notes to Financial Statements

June 30, 2022 and 2021

1. Organization and Tax Status

Brooklyn Prospect Charter School (the "School") is an educational corporation that operates four 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 July 31, 2024. 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.

During fiscal year 2022, CSD 15 became an inactive charter. All grades that were originally associated with CSD 15 migrated to CSD 15.2 over the course of fiscal years 2019 through 2022. The School did not operate any grades under CSD 15 in fiscal year 2022 and will resume operations with new grades in fiscal year 2024.

Effective July 1, 2021, International Charter School of New York ("ICSNY") merged onto the School with approval by the Board of Regents. ICSNY ceased to exist as a separate legal entity and simultaneously became a provisional charter ("CSD 13.2") under the School at the effective date. Prior to the merger, the Board of Regents renewed the charter for CSD 13.2 with a term expiring on July 31, 2023.

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 2021-2022 academic year, the School operated classes for approximately 2,070 students in grades kindergarten through twelfth grade.

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.

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2022 and 2021

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

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.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2022 and 2021.

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:

	2022	2021
Cash	\$ 7,310,077	\$ 5,700,046
Restricted cash	<u>200,054</u>	<u>175,159</u>
	<u>\$ 7,510,131</u>	<u>\$ 5,875,205</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.

Brooklyn Prospect Charter School

Notes to Financial Statements June 30, 2022 and 2021

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

Property and Equipment (continued)

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

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

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.

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, 2022 and 2021

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, 2019.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 31, 2022.

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>2022</u>	<u>2021</u>
Computers and equipment	\$ 3,114,907	\$ 2,096,897
Furniture and fixtures	2,596,353	1,871,785
Software	33,744	33,744
Leasehold improvements	5,768,114	5,283,099
Construction-in-progress	<u>65,796</u>	<u>34,943</u>
	11,578,914	9,320,468
Accumulated depreciation and amortization	<u>(6,180,288)</u>	<u>(4,897,296)</u>
	<u>\$ 5,398,626</u>	<u>\$ 4,423,172</u>

For the year ended June 30, 2022, the School disposed of property and equipment with total cost basis of \$964,139 and respective accumulated depreciation of \$868,268, resulting in a loss of \$95,871.

Brooklyn Prospect Charter School

Notes to Financial Statements June 30, 2022 and 2021

4. Property and Equipment (*continued*)

Construction-in-progress at June 30, 2022 and 2021 is comprised of architect fees and other soft costs for the planning, development, and construction of the first middle school's permanent facility and are expected to be placed into service in fiscal year 2024.

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:

	2022	2021
Cash	\$ 7,310,077	\$ 5,700,046
Grants and contracts receivable	4,098,542	1,557,267
Due from related parties	308,479	182,366
	<u>\$ 11,717,098</u>	<u>\$ 7,439,679</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, 2022 and 2021, 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. In accordance with the first amendment of the agreement, effective July 1, 2022, the annual fee increased to 14% of the revenue sources previously noted. The management fee for the years ended June 30, 2022 and 2021 amounted to \$5,981,672 and \$4,295,198.

For the years ended June 30, 2022 and 2021, the School received contributions of \$384,928 and \$531,267 from Prospect to cover specific program expenses.

Brooklyn Prospect Charter School

Notes to Financial Statements

June 30, 2022 and 2021

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

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. The School entered into sublease agreements with FOPS for classroom facilities (see Note 12).

In October 2018, the School entered into a 15-year sublease for school facilities with FOPS (see Note 12). Lease payments commenced October 1, 2018 and expire on June 30, 2033.

In October 2018, the School entered into a 30-year sublease for school facilities with FOPS (see Note 12). Lease payments commenced October 1, 2018 and expire on June 30, 2048.

In June 2019, the School entered into a 23-year sublease for school facilities with FOPS (see Note 12). Lease payments commenced July 1, 2019 and expire on June 30, 2042.

In May 2022, the School entered into a 30-year sublease for school facilities with the FOPS (see Note 12). Lease payments commenced July 1, 2022 and expire on June 30, 2052.

At June 30, 2022 and 2021, the outstanding balance due from Prospect and FOPS was \$308,479 and \$182,366.

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 and restricted 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. At June 30, 2022 and 2021, approximately \$7,260,000 and \$5,625,000 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, 2022 and 2021, the School received approximately 89% and 84% 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.

Brooklyn Prospect Charter School

Notes to Financial Statements June 30, 2022 and 2021

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, 2022 and 2021 amounted to \$793,836 and \$227,834.

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 \$26,551 and \$302,238 for the years ended June 30, 2022 and 2021. Fair value is estimated using a standard hourly rate of similar services available for purchase by the School. The value of these services is allocated to management and general services in the accompanying statements of activities and functional expenses. There were no donor -imposed restrictions associated with the donated services.

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. 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 merger with International Charter School of New York in fiscal year 2022 (see Note 16), the sublease agreement between FOPS and the School was modified and a new security deposit of \$1,350,000 was paid 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.

Brooklyn Prospect Charter School

Notes to Financial Statements

June 30, 2022 and 2021

12. Commitments (*continued*)

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. 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.

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 paid a security deposit totaling \$600,000. The School had yet to move into the facility at June 30, 2022 and expects to move in and commence rent payments in the fall of 2024.

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 2023. 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, 2023. 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.

In May 2022, the School signed a sublease agreement with FOPS for classroom and office space under a non-cancelable lease for the new upcoming elementary school expiring June 30, 2052. Under the terms of the lease, the School paid a security deposit totaling \$400,000 in fiscal year 2022. The School moved into and commenced rent payments in fiscal year 2023.

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

2023	\$ 12,327,253
2024	11,517,287
2025	12,959,610
2026	13,576,844
2027	13,978,831
Thereafter	<u>284,924,929</u>
	<u>\$ 349,284,754</u>

Brooklyn Prospect Charter School

Notes to Financial Statements

June 30, 2022 and 2021

12. Commitments (*continued*)

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, 2022 and 2021 amounted to \$10,769,115 and \$7,932,500.

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 School began repayment of the loan and accrued interest during fiscal year 2022 and will continue to at 2.75% per annum through the maturity date of April 15, 2026. At June 30, 2022 and 2021, the School had an outstanding balance of \$1,100,000 and \$1,350,000.

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

2023	\$ 250,000
2024	250,000
2025	300,000
2026	<u>300,000</u>
	<u>\$ 1,100,000</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.

On June 30, 2021, \$3,169,332 of principal and \$36,408 of accrued interest were forgiven by the U.S. Small Business Administration. On August 1, 2021, the School commenced repayment of the unforgiven principal on a monthly basis amount of \$8,630 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:

2023	\$ 100,988
2024	101,982
2025	<u>111,016</u>
	<u>\$ 313,986</u>

Brooklyn Prospect Charter School

Notes to Financial Statements June 30, 2022 and 2021

15. 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.

16. Merger with International Charter School of New York

As stated in Note 1, 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 ceased to exist upon the effective date. Below is a summary of opening balances as of July 1, 2021 for ICSNY:

ASSETS

Cash	\$ 4,060,931
Grants and contracts receivable	72,728
Prepaid expenses and other current assets	254,233
Property and equipment, net	151,054
Security Deposits	182,195
Restricted cash	75,000
	<u>\$ 4,796,141</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 67,193
Accrued payroll and payroll taxes	379,311
Refundable advances	14,043
Deferred rent	998
Total Liabilities	<u>461,545</u>
Net assets, without donor restrictions	<u>4,334,596</u>
	<u>\$ 4,796,141</u>

* * * * *

Brooklyn Prospect Charter School

Supplementary Information

June 30, 2022

Brooklyn Prospect Charter School

Schedule of Activities by Charter
Year Ended June 30, 2022

	CSD 15	CSD 13	CSD 15.2	CSD 13.2	Total
OPERATING REVENUE					
State and local per pupil operating revenue					
General education	\$ -	\$ 10,977,504	\$ 16,948,130	\$ 6,935,432	\$ 34,861,066
Special education	-	1,531,144	2,777,240	560,702	4,869,086
Facilities	-	3,252,212	3,834,689	1,817,687	8,904,588
Federal grants	-	756,645	2,294,816	594,456	3,645,917
Federal IDEA and E-Rate	-	143,012	262,390	54,576	459,978
State and city grants	-	383,069	574,948	56,645	1,014,662
Total Operating Revenue	-	17,043,586	26,692,213	10,019,498	53,755,297
EXPENSES					
Program Services					
Regular education	-	12,005,719	18,192,065	7,042,376	37,240,160
Special education	-	3,021,834	4,640,810	1,764,414	9,427,058
Total Program Services		15,027,553	22,832,875	8,806,790	46,667,218
Supporting Services					
Management and general	-	2,621,301	3,759,145	1,660,350	8,040,796
Fundraising	-	84,766	84,442	52,189	221,397
Total Expenses	-	17,733,620	26,676,462	10,519,329	54,929,411
(Deficit) Surplus from Operations	-	(690,034)	15,751	(499,831)	(1,174,114)
SUPPORT AND OTHER REVENUE					
Contributions from related party	-	100,392	84,435	200,101	384,928
Donated services	-	8,496	12,745	5,310	26,551
After school program	-	72,223	37,297	114,914	224,434
Other income	-	97,348	125,446	92,837	315,631
Total Support and Other Revenue	-	278,459	259,923	413,162	951,544
Change in Net Assets	-	(411,575)	275,674	(86,669)	(222,570)
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Beginning of year	3,597,311	3,472,354	2,618,109	-	9,687,774
Transfer of net assets pursuant to merger of International Charter School of New York	-	-	-	4,334,596	4,334,596
End of year	\$ 3,597,311	\$ 3,060,779	\$ 2,893,783	\$ 4,247,927	\$ 13,799,800

Brooklyn Prospect Charter School

Schedule of Functional Expenses

CSD 13

Year Ended June 30, 2022

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	15	\$ 823,895	\$ 205,974	\$ 1,029,869	\$ 403,149	\$ 6,556	\$ 1,439,574
Instructional personnel	80	4,710,418	1,177,604	5,888,022	-	-	5,888,022
Non-instructional personnel	15	585,152	146,288	731,440	42,202	-	773,642
Total Personnel Services Costs	110	6,119,465	1,529,866	7,649,331	445,351	6,556	8,101,238
Employee benefits and payroll taxes		1,510,530	377,632	1,888,162	109,930	1,618	1,999,710
Office expenses		200,815	50,204	251,019	45,235	154	296,408
Accounting and auditing		-	-	-	26,246	-	26,246
Legal fees		-	-	-	1,374	-	1,374
Donated legal services		-	-	-	8,496	-	8,496
Payroll service		-	-	-	49,163	-	49,163
General and administrative consultants		55,534	13,883	69,417	20,599	-	90,016
Management fee		516,738	129,184	645,922	1,234,851	18,998	1,899,771
Other professional fees		326,609	102,058	428,667	3,206	31	431,904
Professional development		40,805	10,201	51,006	-	-	51,006
Student and staff special events		55,154	13,789	68,943	1,309	19	70,271
Parent teacher organization		-	-	-	-	54,169	54,169
Curriculum and classroom		173,789	43,447	217,236	-	-	217,236
Insurance		-	-	-	75,476	-	75,476
Facility expense		2,944,003	736,001	3,680,004	214,253	3,154	3,897,411
Technology		61,250	15,312	76,562	17,021	66	93,649
Depreciation and amortization		-	-	-	351,177	-	351,177
Miscellaneous		1,027	257	1,284	17,614	1	18,899
Total Expenses		\$ 12,005,719	\$ 3,021,834	\$ 15,027,553	\$ 2,621,301	\$ 84,766	\$ 17,733,620

Brooklyn Prospect Charter School

Schedule of Functional Expenses

CSD 15.2

Year Ended June 30, 2022

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	20	\$ 1,012,356	\$ 253,089	\$ 1,265,445	\$ 510,091	\$ 9,267	\$ 1,784,803
Instructional personnel	139	8,319,973	2,079,993	10,399,966	-	-	10,399,966
Non-instructional personnel	26	976,066	244,017	1,220,083	58,339	-	1,278,422
Total Personnel Services Costs	185	10,308,395	2,577,099	12,885,494	568,430	9,267	13,463,191
Employee benefits and payroll taxes		2,439,592	609,898	3,049,490	134,525	2,193	3,186,208
Office expenses		313,221	78,305	391,526	65,011	200	456,737
Accounting and auditing		-	-	-	38,349	-	38,349
Legal fees		-	-	-	2,651	-	2,651
Donated legal services		-	-	-	12,745	-	12,745
Payroll service		-	-	-	73,745	-	73,745
General and administrative consultants		132,870	33,217	166,087	49,514	-	215,601
Management fee		802,270	200,567	1,002,837	1,917,189	29,495	2,949,521
Other professional fees		279,753	162,733	442,486	6,135	20	448,641
Professional development		65,730	16,432	82,162	-	-	82,162
Student and staff special events		188,467	47,117	235,584	5,828	95	241,507
Parent teacher organization		-	-	-	-	40,195	40,195
Curriculum and classroom		350,581	87,645	438,226	-	-	438,226
Insurance		-	-	-	113,213	-	113,213
Facility expense		3,184,277	796,069	3,980,346	186,731	2,863	4,169,940
Technology		121,578	30,395	151,973	26,678	109	178,760
Depreciation and amortization		-	-	-	526,765	-	526,765
Miscellaneous		5,331	1,333	6,664	31,636	5	38,305
Total Expenses		\$ 18,192,065	\$ 4,640,810	\$ 22,832,875	\$ 3,759,145	\$ 84,442	\$ 26,676,462

Brooklyn Prospect Charter School

Schedule of Functional Expenses

CSD 13.2

Year Ended June 30, 2022

	No. of Positions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	7	\$ 524,989	\$ 131,247	\$ 656,236	\$ 211,787	\$ 4,069	\$ 872,092
Instructional personnel	45	2,483,061	620,765	3,103,826	-	-	3,103,826
Non-instructional personnel	<u>7</u>	<u>205,786</u>	<u>51,446</u>	<u>257,232</u>	<u>13,539</u>	<u>-</u>	<u>270,771</u>
Total Personnel Services Costs	<u><u>59</u></u>	3,213,836	803,458	4,017,294	225,326	4,069	4,246,689
Employee benefits and payroll taxes		767,376	191,844	959,220	53,801	972	1,013,993
Office expenses		101,257	25,314	126,571	19,157	95	145,823
Accounting and auditing		-	-	-	14,317	-	14,317
Legal fees		-	-	-	859	-	859
Donated legal services		-	-	-	5,310	-	5,310
Payroll service		-	-	-	37,399	-	37,399
General and administrative consultants		64,955	16,239	81,194	23,730	-	104,924
Management fee		308,007	77,002	385,009	736,047	11,324	1,132,380
Other professional fees		314,603	82,470	397,073	1,068	16	398,157
Professional development		35,329	8,832	44,161	-	-	44,161
Student and staff special events		12,435	3,109	15,544	486	9	16,039
Parent teacher organization		-	-	-	-	33,065	33,065
Curriculum and classroom		135,195	33,799	168,994	-	-	168,994
Insurance		-	-	-	57,560	-	57,560
Facility expense		2,040,106	510,027	2,550,133	149,048	2,583	2,701,764
Technology		43,895	10,974	54,869	9,023	56	63,948
Depreciation and amortization		-	-	-	219,486	-	219,486
Loss on disposal of property and equipment		-	-	-	95,871	-	95,871
Miscellaneous		<u>5,382</u>	<u>1,346</u>	<u>6,728</u>	<u>11,862</u>	<u>-</u>	<u>18,590</u>
Total Expenses		<u><u>\$ 7,042,376</u></u>	<u><u>\$ 1,764,414</u></u>	<u><u>\$ 8,806,790</u></u>	<u><u>\$ 1,660,350</u></u>	<u><u>\$ 52,189</u></u>	<u><u>\$ 10,519,329</u></u>

Brooklyn Prospect Charter School

Uniform Guidance
Schedules and Reports

June 30, 2022

Brooklyn Prospect Charter School

Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021-22-5495	\$ -	\$ 167,512
Title I Grants to Local Educational Agencies	84.010	0021-22-5220		49,645
Title I Grants to Local Educational Agencies	84.010	0021-22-5260	-	111,227
			-	328,384
Charter Schools	84.282	0089-22-1023	-	822,938
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-5495	-	29,575
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-5260		21,482
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-22-5220	-	8,458
			-	59,515
Student Support and Academic Enrichment Program	84.424	0204-22-5495	-	10,000
Student Support and Academic Enrichment Program	84.424	0204-22-5220	-	10,000
Student Support and Academic Enrichment Program	84.424	0204-22-5260	-	10,000
			-	30,000
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-5495	-	3,395
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-5260	-	17,306
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-5495	-	316,215
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-5220	-	215,711
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-5260	-	138,221
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5495	-	945,181
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5220	-	310,643
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-5260	-	458,408
			-	2,405,080
Total U.S. Department of Education			-	3,645,917
Total Expenditures of Federal Awards			\$ -	\$ 3,645,917

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

Brooklyn Prospect Charter School

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Brooklyn Prospect Charter School (the "School"), under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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

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

Independent Auditors' Report

**Board of Trustees
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") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

Harrison, New York
October 31, 2022

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

Independent Auditors' Report

**Board of Trustees
Brooklyn Prospect Charter School**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Brooklyn Prospect Charter School's (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

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Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

PKF O'Connor Davies, LLP

Harrison, New York
October 31, 2022

Brooklyn Prospect Charter School

Schedule of Findings and Questioned Costs Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to the financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

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

Unmodified

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

_____ yes X no

Identification of major federal programs:

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

84.425D

Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund

84.425D

Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II

84.425U

Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP

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

\$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

Section II – Financial Statement Findings

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

Section III – Federal Award Findings and Questioned Costs

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

Section IV – Prior Year Findings

There were no findings in the prior year.