

Explore Charter Schools of Brooklyn

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

June 30, 2020 and 2019

Explore Charter Schools of Brooklyn

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

June 30, 2020 and 2019

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Independent Auditors' Report

Board of Trustees Explore Charter Schools of Brooklyn

Report on the Financial Statements

We have audited the accompanying financial statements of Explore Charter Schools of Brooklyn (the "School"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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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.

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.

Explore Charter Schools of Brooklyn

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS		
Current Assets		
Cash	\$ 11,789,220	\$ 9,432,927
Grants and contracts receivable	944,122	212,172
Prepaid expenses and other current assets	190,946	763,915
Total Current Assets	12,924,288	10,409,014
Investments	4,614,741	2,516,324
Property and equipment, net	2,858,813	2,431,564
Restricted cash	300,749	300,631
	\$ 20,698,591	\$ 15,657,533
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 645,695	\$ 767,878
Accrued payroll and payroll taxes	2,555,160	2,694,291
Refundable advances	-	48,219
Due to related party	151,964	335,395
Total Current Liabilities	3,352,819	3,845,783
Paycheck Protection Program loan payable	4,901,563	-
Total Liabilities	8,254,382	3,845,783
Net Assets, Without Donor Restrictions		
Undesignated	8,944,209	8,311,750
Board-designated	3,500,000	3,500,000
Total Net Assets, Without Donor Restrictions	12,444,209	11,811,750
	\$ 20,698,591	\$ 15,657,533

See notes to financial statements

Explore Charter Schools of Brooklyn

Statement of Functional Expenses Year Ended June 30, 2020

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	84	\$ 4,563,143	\$ 2,332,811	\$ 6,895,954	\$ 1,023,165	\$ 7,919,119
Instructional personnel	234	9,595,063	4,888,542	14,483,605	2,148,889	16,632,494
Total Salaries and Staff	<u>318</u>	14,158,206	7,221,353	21,379,559	3,172,054	24,551,613
Fringe benefits and payroll taxes		3,383,729	1,726,404	5,110,133	758,401	
Retirement		154,196	77,025	231,221	34,335	
Management company fees		2,137,539	517,095	2,654,634	1,392,790	
Legal services		-	-	-	6,203	
Accounting / audit services		-	-	-	120,536	120,536
Other purchased / professional / consulting services		492,728	374,103	866,831	365,102	6,203
Repairs and maintenance		15,701	4,354	20,055	3,538	120,536
Insurance		135,985	33,141	169,126	29,846	69,846
Utilities		197,615	48,769	246,384	43,482	(1) \$ + ") & " &
Supplies / materials		524,797	131,452	656,249	-	34,335
Equipment / furnishings		37,554	9,437	46,991	8,293	24,551,613
Staff development		215,152	52,762	267,914	44,090	
Marketing / recruitment		180,310	43,680	223,990	122,245	
Technology		857,993	212,612	1,070,605	188,930	
Food service		11,738	2,944	14,682	-	
Student services		232,614	57,396	290,010	-	
Office expense		177,822	19,758	197,580	197,581	
Depreciation and amortization		10,511	2,383	12,894	77,671	
Other		118,345	29,644	147,989	26,131	
Total Expenses		<u>\$ 23,042,535</u>	<u>\$ 10,564,312</u>	<u>\$ 33,606,847</u>	<u>\$ 6,591,228</u>	<u>\$</u>

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies

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

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

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions at June 30, 2020 and 2019.

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

Certificates of deposit are valued at the amounts deposited plus accrued interest, which approximates fair value.

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

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies

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

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

Furniture and fixtures	5 years
Computers and equipment	3 years
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, 2020 and 2019.

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

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 restricted support 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 unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

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_____	_____
_____	_____
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Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2020 and 2019

7. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions

_____	_____
_____	_____
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Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2020 and 2019

14. 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 atataff...8 t n outbT ed gad

Explore Charter Schools of Brooklyn

Supplementary Information

June 30, 2020

Schedule of Activities by School
Year Ended June 30, 2020

	<u>Explore</u>	<u>Empower</u>	<u>Excel</u>	<u>Exceed</u>	<u>Total</u>
State and Local Per Pupil Operating Revenue					
General education	\$ 8,843,222	\$ 7,880,090	\$ 8,955,843	\$ 8,091,370	\$ 33,770,525
Special education	900,279	1,222,634	1,537,505	1,731,116	5,391,534
Federal grants	228,790	229,642	240,116	207,432	905,980
Federal E-Rate and IDEA	76,703	113,385	139,367	161,404	490,859
State grants	<u>19,240</u>	<u>33,517</u>	<u>35,571</u>	<u>27,480</u>	<u>115,808</u>
Total Operating Revenue	<u>10,068,234</u>	<u>9,479,268</u>	<u>10,908,402</u>	<u>10,218,802</u>	<u>40,674,706</u>
Program Services					
Regular education	5,766,684	5,688,802	6,004,817	5,582,232	23,042,535
Special education	<u>2,137,997</u>	<u>2,460,371</u>	<u>2,776,362</u>	<u>3,189,582</u>	<u>10,564,312</u>
Total Program Services	7,904,681	8,149,173	8,781,179	8,771,814	33,606,847
Supporting Services					
Management and general	<u>1,576,605</u>	<u>1,604,739</u>	<u>1,721,023</u>	<u>1,688,861</u>	<u>6,591,228</u>
Total Expenses	<u>9,481,286</u>	<u>9,753,912</u>	<u>10,502,202</u>	<u>10,460,675</u>	<u>40,198,075</u>
Surplus (Deficit) from Operations	<u>586,948</u>	<u>(274,644)</u>	<u>406,200</u>	<u>(241,873)</u>	<u>476,631</u>
Contributions					
Contributions	5,125	5,125	40,125	5,125	55,500
Interest and other income	<u>750</u>	<u>378</u>	<u>98,818</u>	<u>382</u>	<u>100,328</u>
Total Support and Other Revenue	<u>5,875</u>	<u>5,503</u>	<u>138,943</u>	<u>5,507</u>	<u>155,828</u>
Change in Net Assets	592,823	(269,141)	545,143	(236,366)	632,459
Beginning of year	<u>3,905,567</u>	<u>4,749,092</u>	<u>2,069,270</u>	<u>1,087,821</u>	<u>11,811,750</u>
End of year	<u>\$ 4,498,390</u>	<u>\$ 4,479,951</u>	<u>\$ 2,614,413</u>	<u>\$ 851,455</u>	<u>\$ 12,444,209</u>

See independent auditors' report

Schedule of Functional Expenses
Year Ended June 30, 2020

	No. of Positions	Program Sources			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	20	\$ 1,146,378	\$ 542,496	\$ 1,688,874	\$ 259,371	\$ 1,948,245
Instructional personnel	58	2,405,356	1,138,277	3,543,633	544,218	4,087,851
Total Salaries and Staff	<u>78</u>	<u>3,551,734</u>	<u>1,680,773</u>	<u>5,232,507</u>	<u>803,589</u>	<u>6,036,096</u>
Fringe benefits and payroll taxes		867,617	410,579	1,278,196	196,300	1,474,496
Retirement		42,671	20,193	62,864	9,655	72,519
Management company fees		498,694	120,244	618,938	324,734	943,672
Legal services		-	-	-	435	435
Accounting / audit services		-	-	-	27,125	27,125
Other purchased / professional / consulting services		107,455	84,642	192,097	84,772	276,869
Repairs and maintenance		6,635	1,600	8,235	1,453	9,688
Insurance		33,175	7,999	41,174	7,266	48,440
Utilities		43,237	10,425	53,662	9,470	63,132
Supplies / materials		130,230	31,401	161,631	-	161,631
Equipment / furnishings		7,130	1,719	8,849	1,562	10,411
Staff development		43,380	10,460	53,840	8,288	62,128
Marketing / recruitment		44,681	10,773	55,454	13,750	69,204
Technology		182,007	43,885	225,892	39,863	265,755
Food service		739	178	917	-	917
Student services		48,555	11,707	60,262	-	60,262
Office expense		43,878	4,875	48,753	48,754	97,507
Depreciation and amortization		3,106	749	3,855	20,303	24,158
Other		33,878	8,169	42,047	7,420	49,467
Total Expenses		<u>\$ 5,688,802</u>	<u>\$ 2,460,371</u>	<u>\$ 8,149,173</u>	<u>\$ 1,604,739</u>	<u>\$ 9,753,912</u>

See independent auditors' report

Schedule of Functional Expenses
Year Ended June 30, 2020

	No. of Positions	Program Sources			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	20	\$ 1,092,750	\$ 553,321	\$ 1,646,071	\$ 241,627	\$ 1,887,698
Instructional personnel	61	2,599,420	1,316,234	3,915,654	574,780	4,490,434
Total Salaries and Staff	<u>81</u>	<u>3,692,170</u>	<u>1,869,555</u>	<u>5,561,725</u>	<u>816,407</u>	<u>6,378,132</u>
Fringe benefits and payroll taxes		890,368	450,8	,8 ö{ x	,8 50,8	
Retirement						
Management company fees						
Legal services						
Accounting / audit services						
Other purchased / professional / consulting services						
Repairs and maintenance						
Insurance						
Utilities						
Supplies / materials						
Equipment / furnishings						
Staff development						
Marketing / recruitment						
Technology						
Food service						
Student services						
Office expense						
Depreciation and amortization						
Other						
Total Expenses		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Schedule of Functional Expenses
Year Ended June 30, 2020

	No. of Positions	Program Sources			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	24	\$ 1,148,515	\$ 737,870	\$ 1,886,385	\$ 278,356	\$ 2,164,741
Instructional personnel	61	2,226,166	1,430,213	3,656,379	539,538	4,195,917
Total Salaries and Staff	<u>85</u>	<u>3,374,681</u>	<u>2,168,083</u>	<u>5,542,764</u>	<u>817,894</u>	<u>6,360,658</u>
Fringe benefits and payroll taxes		801,844	515,149	1,316,993	194,336	1,511,329
Retirement		25,550	16,415	41,965	6,192	48,157
Management company fees		480,532	156,243	636,775	334,093	970,868
Legal services		-	-	-	3,360	3,360
Accounting / audit services		-	-	-	27,125	27,125
Other purchased / professional / consulting services		156,632	103,867	260,499	98,667	359,166
Repairs and maintenance		6,376	2,073	8,449	1,491	9,940
Insurance		31,458	10,229	41,687	7,357	49,044
Utilities		50,155	16,308	66,463	11,729	78,192
Supplies / materials		156,683	50,945	207,628	-	207,628
Equipment / furnishings		15,448	5,023	20,471	3,612	24,083
Staff development		54,235	17,634	71,869	11,528	83,397
Marketing / recruitment		40,263	13,091	53,354	44,250	97,604
Technology		226,940	73,789	300,729	53,070	353,799
Food service		1,484	483	1,967	-	1,967
Student services		75,189	24,447	99,636	-	99,636
Office expense		54,933	6,104	61,037	61,037	122,074
Depreciation and amortization		-	-	-	6,145	6,145
Other		29,829	9,699	39,528	6,975	46,503
Total Expenses		<u>\$ 5,582,232</u>	<u>\$ 3,189,582</u>	<u>\$ 8,771,814</u>	<u>\$ 1,688,861</u>	<u>\$ 10,460,675</u>

See independent auditors' report

Explore Charter Schools of Brooklyn

Uniform Guidance
Reports and Schedules

June 30, 2020

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

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				
Title I Grants to Local Educational Agencies	84.010	0021-20-4085	\$ -	\$ 193,690
Title I Grants to Local Educational Agencies	84.010	0021-20-4575	-	195,842
Title I Grants to Local Educational Agencies	84.010	0021-20-4845	-	187,439
Title I Grants to Local Educational Agencies	84.010	0021-20-4275	-	176,199
			<u>-</u>	<u>753,170</u>
English Language Acquisition State Grants	84.365	0293-20-4845	-	17,086
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-20-4085	-	20,630
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-20-4575	-	18,981
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-20-4845	-	21,304
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-20-4275	-	17,947
			<u>-</u>	<u>78,862</u>
Student Support and Academic Enrichment Program	84.424	0204-20-4085	-	14,470
Student Support and Academic Enrichment Program	84.424	0204-20-4575	-	14,818
Student Support and Academic Enrichment Program	84.424	0204-20-4845	-	14,288
Student Support and Academic Enrichment Program	84.424	0204-20-4275	-	13,286
			<u>-</u>	<u>56,862</u>
Total U.S. Department of Education			<u>-</u>	<u>905,980</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 905,980</u>

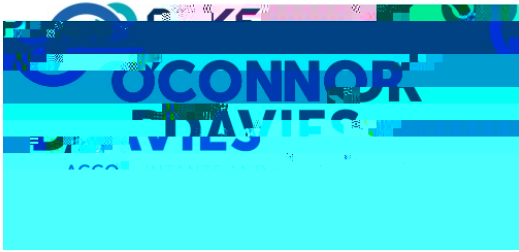
See independent auditors' report and notes to schedule of expenditures of federal awards

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 determination of financial statement amounts. 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 School'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 School's internal that



**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
Explore Charter Schools of Brooklyn**

Report on Compliance for Each Major Federal Program

We have audited Explore Charter Schools of Brooklyn'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, 2020. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

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*

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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, 2020.

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 i Accj e' d

Explore Charter Schools of Brooklyn

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

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:

CFDA Number(s)

84.010

Name of Federal Program or Cluster

Title I Grants to Local
Educational Agencies

Dollar threshold used to distinguish between type

A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X yes _____ no

Section II – y
