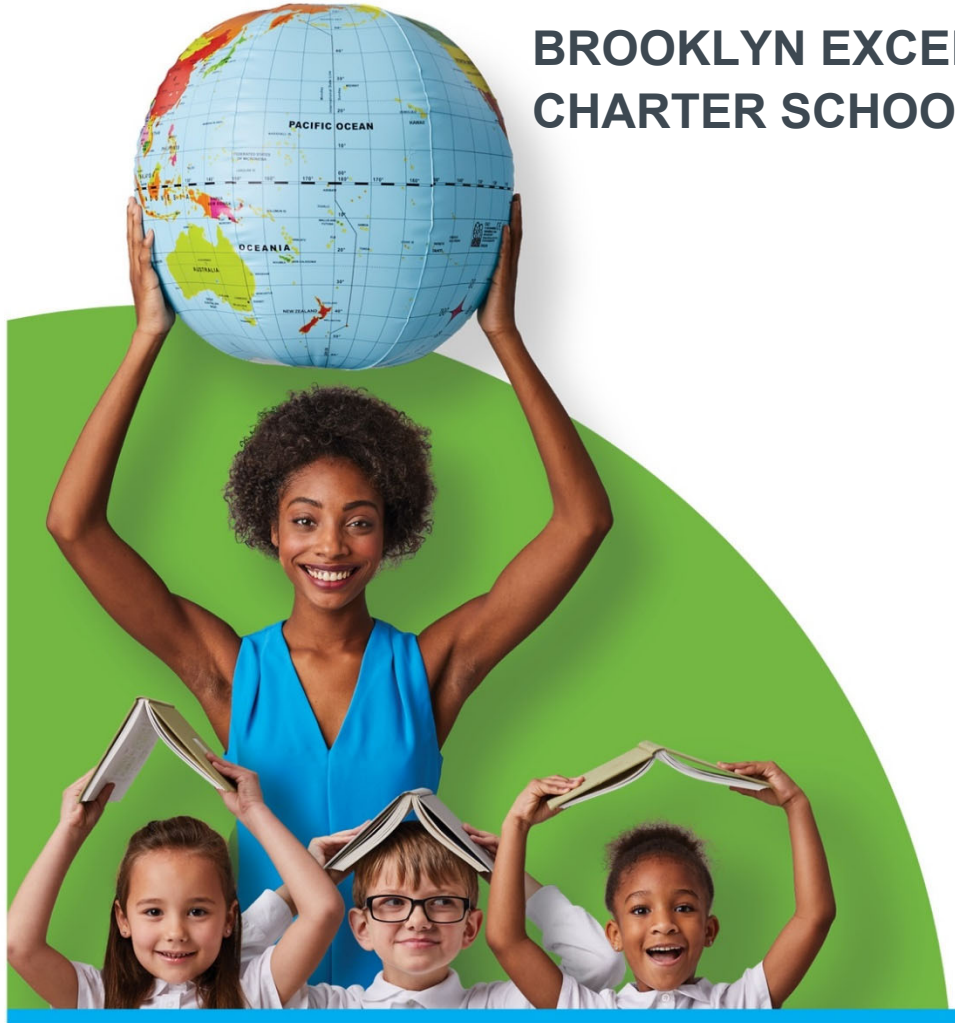


# BROOKLYN EXCELSIOR CHARTER SCHOOL



Financial Statements and Additional  
Information as of and for the Years Ended  
June 30, 2020 and 2019, and Independent  
Auditor's Reports

**NATIONAL  
HERITAGE  
ACADEMIES®**

The logo for National Heritage Academies, featuring a stylized white outline of an open book to the right of the text.

# BROOKLYN EXCELSIOR CHARTER SCHOOL

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## **Independent Auditor's Report**

To the Board of Trustees  
Brooklyn Excelsior Charter School

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Brooklyn Excelsior Charter School (the "School"), which comprise the statement of financial position as of June 30, 2020 and 2019 and the related statements of activities and change in net assets and statement of 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brooklyn Excelsior Charter School as of June 30, 2020 and 2019 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees  
Brooklyn Excelsior Charter School

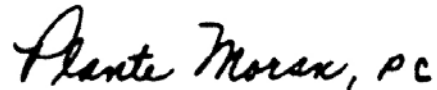
**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Brooklyn Excelsior Charter School's financial statements. The supplemental New York Education Department schedule of functional expenses, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental New York Education Department schedule of functional expenses has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2020 on our consideration of Brooklyn Excelsior Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Excelsior Charter School's internal control over financial reporting and compliance.



October 22, 2020

# BROOKLYN EXCELSIOR CHARTER SCHOOL

## STATEMENT OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

|   | 2020              | 2019              |
|---|-------------------|-------------------|
| <b>ASSETS</b>                                     |                   |                   |
| CURRENT ASSETS:                                   |                   |                   |
| Cash  | \$ 23,801         | \$ 6,418          |
| Due from governmental revenue sources             | <u>321,293</u>    | <u>234,223</u>    |
| Total current assets                              | <u>345,094</u>    | <u>240,641</u>    |
| NON-CURRENT ASSETS:                               |                   |                   |
| Capital assets - net                              | 11,464            | 22,423            |
| Restricted cash                                   | <u>77,266</u>     | <u>76,653</u>     |
| Total non-current assets                          | <u>88,730</u>     | <u>99,076</u>     |
| TOTAL   | <u>\$ 433,824</u> | <u>\$ 339,717</u> |
| <br><b>LIABILITIES AND NET ASSETS</b>             |                   |                   |
| LIABILITIES:                                      |                   |                   |
| Deferred revenue                                  | \$ 3,228          | \$ 27,803         |
| Accounts payable                                  | 1,120             | 2,551             |
| Contracted service fee payable                    | <u>395,337</u>    | <u>283,080</u>    |
| Total liabilities                                 | <u>399,685</u>    | <u>313,434</u>    |
| NET ASSETS - Net Assets without Donor Restriction | <u>34,139</u>     | <u>26,283</u>     |
| TOTAL   | <u>\$ 433,824</u> | <u>\$ 339,717</u> |

See notes to financial statements.

# BROOKLYN EXCELSIOR CHARTER SCHOOL

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2020 AND 2019

|  | 2020              | 2019              |
|--|-------------------|-------------------|
| REVENUES, GAINS AND OTHER SUPPORT:             |                   |                   |
| Public School District                         |                   |                   |
| Resident Student Enrollment                    | \$ 10,490,458     | \$ 9,022,955      |
| Students with disabilities                     | 978,170           | 939,836           |
| Grants, Contracts, and Other:                  |                   |                   |
| State and local                                | 129,600           | 291,079           |
| Federal - Title and IDEA                       | 372,846           | 362,065           |
| Other  | 69,197            | 2,541             |
| Child nutrition program - Federal              | 234,884           | 299,433           |
| Child nutrition program - State                | <u>5,372</u>      | <u>6,996</u>      |
| Total revenues, gains and other support        | 12,280,527        | 10,924,905        |
| EXPENSES:                                      |                   |                   |
| Contracted service fee:                        |                   |                   |
| Program services                               | 9,373,222         | 9,248,851         |
| Management and general                         | 2,872,305         | 1,641,054         |
| Board expenses                                 | 16,185            | 35,597            |
| Depreciation                                   | <u>10,959</u>     | <u>11,337</u>     |
| Total expenses                                 | <u>12,272,671</u> | <u>10,936,839</u> |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION | 7,856             | (11,934)          |
| NET ASSETS:                                    |                   |                   |
| Beginning of year                              | <u>26,283</u>     | <u>38,217</u>     |
| End of year                                    | <u>\$ 34,139</u>  | <u>\$ 26,283</u>  |

See notes to financial statements.

## BROOKLYN EXCELSIOR CHARTER SCHOOL

### STATEMENT OF CASH FLOWS YEARS ENDED JUNE 30, 2020 AND 2019

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|   | 2020                | 2019                |
|---|---------------------|---------------------|
| CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES         |                     |                     |
| State aid   | \$ 11,313,388       | \$ 10,183,514       |
| Other state sources   | 171,858             | 203,684             |
| Federal sources   | 613,259             | 672,157             |
| Private sources   | 70,377              | 3,713               |
| Payments for services rendered                                | <u>(12,150,886)</u> | <u>(11,061,850)</u> |
| Net cash and restricted cash provided by operating activities | <u>17,996</u>       | <u>1,218</u>        |
| NET INCREASE IN CASH AND RESTRICTED CASH                      | 17,996              | 1,218               |
| CASH AND RESTRICTED CASH — Beginning of year                  | <u>83,071</u>       | <u>81,853</u>       |
| CASH AND RESTRICTED CASH — End of year                        | <u>\$ 101,067</u>   | <u>\$ 83,071</u>    |

See notes to financial statements.

# BROOKLYN EXCELSIOR CHARTER SCHOOL

## NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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### 1. NATURE OF OPERATIONS

Brooklyn Excelsior Charter School (the “School”) is a public charter school as defined by Article 56 of the New York State Education Law which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The School operates under a charter approved by the State University of New York Charter School Institute, which is responsible for oversight of the School’s operations. The charter expires July 31, 2023 and is subject to renewal. The School provides education, at no cost to the parent, to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

The School’s primary source of revenue is provided by the State of New York and consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and was funded through payments from July 2019 through May 2020 for the year ended June 30, 2020 and was funded through payments from July 2018 through May 2019 for the year ended June 30, 2019.

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

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the School from all revenue sources and NHA allocates to the Board of Trustees an amount equal to the lesser of two percent of state per pupil aid or \$35,000. These funds are property of the School and may be used by the School at the discretion of the board.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** — The financial statements of the School are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles accepted in the United States of America for not-for-profit organizations.

**Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and



disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash** — Cash as of June 30, 2020 and 2019 represents bank deposits which are covered by federal depository insurance.

**Restricted Cash** — Under the requirements of NYSED, the School has agreed to establish a reserve cash account and maintain a minimum balance of \$75,000. At June 30, 2020 and 2019, \$77,266 and \$76,653, respectively, of cash is restricted for that purpose. In the event of dissolution of the School, the reserve cash account would be used to pay for legal and audit expenses associated with the dissolution.

**Deferred Revenue** — Deferred revenue as of June 30, 2020 and 2019 consists of funds received for services which have not yet been performed.

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

**Capital Assets** — Capital assets, which include other equipment, are reported at historical cost. Capital assets are defined by the School as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year.

Other equipment is depreciated using the straight-line method over useful lives of 3-10 years.

**The Financial Statements** — The financial statements are presented as follows:

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

- *Net Assets without Donor Restriction* — Net assets which are not subject to donor imposed or governmental stipulations. All net assets as of June 30, 2020 and 2019 are considered to be without donor restrictions.

Revenues and contributions are reported as follows:

- Revenues, gains and other support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed or governmental restrictions. Expenses are reported as decreases in net assets without donor restrictions. Other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or governmental restriction. Expiration of restrictions on net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the stipulated time has elapsed) are reported as reclassifications between the applicable classes of net assets. For the years ended June 30, 2020 and 2019, all revenue sources were without donor restrictions.
- Revenue is recorded when earned, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Income Taxes** — The School operates as a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School has received notification from the Internal Revenue Service (IRS) that they are considered exempt from Federal income tax under Section 501(c)(3) of the internal revenue code. Accordingly, no provision for federal income taxes has been made.

**Recent Accounting Pronouncements** — In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the Statement of Activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the Statements of Activities and Cash Flows will be general consistent with the current guidance. The new lease guidance will be effective for the School's year ending June 30, 2023 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined, but is expected to have minimal impact when adopted.

**Adoption of Accounting Pronouncement** — In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance is effective as of July 1, 2019 and was applied on a modified prospective basis. The School noted the standard did not have a significant impact on the timing of revenue recognition for government and individual grants and contracts.

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-18, *Restricted Cash*. As of July 1, 2019, the School adopted new guidance related to the presentation of restricted cash on the Statement of Cash Flows. Under the new guidance, transfers between restricted cash and unrestricted cash are no longer presented on the statement of cash flows. Additionally, the beginning and ending balance of cash, cash equivalents, and restricted cash on the statement of cash flow now include restricted cash balances.

### 3. LIQUIDITY

The School has \$345,094 and \$240,641 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$23,801 and \$6,418 and amounts due from governmental revenue sources of \$321,293 and \$234,223 at June 30, 2020 and 2019, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The School has a goal to maintain financial assets, which consist of cash and short-term receivables on hand to meet 60 days of normal operating expenses, which are, on average,

approximately \$2,044,000 and \$1,827,000 at June 30, 2020 and 2019, respectively.

While the School does not currently carry financial assets in excess of 60 days of normal operating expenses, due to their management agreement with NHA, NHA is required make contributions to the School if the School's expenditures exceed the school's revenue during the year.

#### 4. FUNCTIONAL EXPENSES

The School provides educational services to its students. Expenses related to providing these services are as follows for the years ended June 30, 2020 and 2019, respectively:

|                        | <u>2020</u>                 | <u>2019</u>                 |
|------------------------|-----------------------------|-----------------------------|
| Program services       |                             |                             |
| Contracted service fee | \$ 9,373,222                | \$ 9,248,851                |
| Board expenses         | 16,185                      | 35,597                      |
| Depreciation           | <u>10,959</u>               | <u>11,337</u>               |
| Total program services | 9,400,366                   | 9,295,785                   |
| Management and general |                             |                             |
| Contracted service fee | 2,872,305                   | 1,641,054                   |
| Total                  | <u><u>\$ 12,272,671</u></u> | <u><u>\$ 10,936,839</u></u> |

The costs of providing the program and support services are allocated on an actual basis, when possible. Certain expenses attributable to more than one function and require an allocation on a reasonable basis that is consistently applied. Management and general expenses consist of expenditures incurred by the School based on their usage of management company services. Usage of management company services are calculated on a variety of different allocation methods based on various cost centers.

#### 5. RISK MANAGEMENT

The School is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2020 or 2019, and claims did not exceed coverage less retained risk deductible amounts in the past fiscal year.

#### 6. CONTINGENCIES

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

## 7. CAPITAL ASSETS

Capital asset activity of the school was as follows:

| <b>Year ended June 30, 2020</b>              | <b><u>Beginning<br/>Balance</u></b> | <b><u>Additions</u></b> | <b><u>Disposals</u></b> | <b><u>Ending<br/>Balance</u></b> |
|--|-------------------------------------|-------------------------|-------------------------|----------------------------------|
| Equipment                                    | \$ 113,372                          | \$ -                    | \$ (7,559)              | \$ 105,813                       |
| Less accumulated depreciation —<br>equipment | <u>90,949</u>                       | <u>10,959</u>           | <u>(7,559)</u>          | <u>94,349</u>                    |
| Total capital asset activity, net            | <u>\$ 22,423</u>                    | <u>\$ (10,959)</u>      | <u>\$ -</u>             | <u>\$ 11,464</u>                 |

| <b>Year ended June 30, 2019</b>              | <b><u>Beginning<br/>Balance</u></b> | <b><u>Additions</u></b> | <b><u>Disposals</u></b> | <b><u>Ending<br/>Balance</u></b> |
|--|-------------------------------------|-------------------------|-------------------------|----------------------------------|
| Equipment                                    | \$ 113,372                          | \$ -                    | \$ -                    | \$ 113,372                       |
| Less accumulated depreciation —<br>equipment | <u>79,612</u>                       | <u>11,337</u>           | <u>-</u>                | <u>90,949</u>                    |
| Total capital asset activity, net            | <u>\$ 33,760</u>                    | <u>\$ (11,337)</u>      | <u>\$ -</u>             | <u>\$ 22,423</u>                 |

## 8. OPERATING LEASE

The School has entered into a sublease agreement with NHA for a facility to house the School. The lease term is from August 1, 2018 through July 31, 2023. Annual rental payments required by the lease were \$2,314,512 payable in twelve monthly payments of \$192,876. This lease is automatically renewed on a year-to-year basis unless a notice of non-renewal is provided by either the School or NHA.

## 9. CORONAVIRUS

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. The impact of COVID-19 will require the School to carefully monitor its budget for fiscal year 2020-2021. It will also be necessary to monitor decisions made at the federal and state level pertaining to financial resources as those decisions will directly impact the School's budget. As information becomes known by the School, the budget will be reviewed and adjusted, as needed, to ensure adequate resources are available.

## 10. SUBSEQUENT EVENTS

Events or transactions for the year ended June 30, 2020 have been evaluated through October 22, 2020, the date the financial statements were available to be issued. The financial statements and the notes thereto do not reflect events or transactions after this date.

\* \* \* \* \*

## **ADDITIONAL INFORMATION**

## BROOKLYN EXCELSIOR CHARTER SCHOOL

### NEW YORK STATE EDUCATION DEPARTMENT SCHEDULE OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

|  | No. of<br>Positions | 2020                 |                      |                    |                     |                     |                           |                     | 2019                |                     |
|--|---------------------|----------------------|----------------------|--------------------|---------------------|---------------------|---------------------------|---------------------|---------------------|---------------------|
|  |                     | Program Services     |                      |                    |                     | Supporting Services |                           |                     | Total               | Total               |
|  |                     | Regular<br>Education | Special<br>Education | Other<br>Education | Total               | Fund-raising        | Management<br>and General | Total               |                     |                     |
| Personnel Services Costs                             |                     |                      |                      |                    |                     |                     |                           |                     |                     |                     |
| Administrative Staff Personnel                       | -                   | \$ 599,365           | \$ -                 | \$ -               | \$ 599,365          | \$ -                | \$ -                      | \$ -                | \$ 599,365          | \$ 436,672          |
| Instructional Personnel                              | -                   | 2,634,583            | 616,258              | -                  | 3,250,841           | -                   | -                         | -                   | 3,250,841           | 3,202,854           |
| Non-Instructional Personnel                          | -                   | 246,983              | -                    | -                  | 246,983             | -                   | -                         | -                   | 246,983             | 408,471             |
| Total Salaries and Staff                             | -                   | 3,480,931            | 616,258              | -                  | 4,097,189           | -                   | -                         | -                   | 4,097,189           | 4,047,997           |
| Fringe Benefits & Payroll Taxes                      |                     | 663,134              | 124,857              | -                  | 787,991             | -                   | -                         | -                   | 787,991             | 829,420             |
| Retirement   |                     | 62,305               | 12,661               | -                  | 74,966              | -                   | -                         | -                   | 74,966              | 70,534              |
| Management Company Fees                              |                     | -                    | -                    | -                  | -                   | -                   | -                         | -                   | -                   | -                   |
| Legal Service  |                     | 12,521               | -                    | -                  | 12,521              | -                   | -                         | -                   | 12,521              | 1,592               |
| Accounting / Audit Services                          |                     | 7,296                | -                    | -                  | 7,296               | -                   | 201,913                   | 201,913             | 209,209             | 182,886             |
| Other Purchased / Professional / Consulting Services |                     | 64,914               | 258,678              | -                  | 323,592             | -                   | 479,974                   | 479,974             | 803,566             | 725,778             |
| Building and Land Rent / Lease                       |                     | 2,434,035            | -                    | -                  | 2,434,035           | -                   | -                         | -                   | 2,434,035           | 2,413,831           |
| Repairs & Maintenance                                |                     | 383,079              | -                    | -                  | 383,079             | -                   | 37,322                    | 37,322              | 420,401             | 397,204             |
| Insurance  |                     | 42,772               | -                    | -                  | 42,772              | -                   | -                         | -                   | 42,772              | 41,863              |
| Utilities  |                     | 198,304              | -                    | -                  | 198,304             | -                   | -                         | -                   | 198,304             | 187,887             |
| Supplies / Materials                                 |                     | 129,398              | 1,015                | -                  | 130,413             | -                   | -                         | -                   | 130,413             | 228,909             |
| Equipment / Furnishings                              |                     | 129,869              | -                    | -                  | 129,869             | -                   | -                         | -                   | 129,869             | 101,478             |
| Staff Development                                    |                     | 62,409               | 1,440                | -                  | 63,849              | -                   | 62,494                    | 62,494              | 126,343             | 143,776             |
| Marketing / Recruitment                              |                     | 140,765              | 7,233                | -                  | 147,998             | -                   | 315,573                   | 315,573             | 463,571             | 439,885             |
| Technology   |                     | 81,748               | -                    | -                  | 81,748              | -                   | 767,802                   | 767,802             | 849,550             | 328,569             |
| Food Service   |                     | 243,422              | -                    | -                  | 243,422             | -                   | -                         | -                   | 243,422             | 321,402             |
| Student Services                                     |                     | 128,089              | -                    | -                  | 128,089             | -                   | 83,691                    | 83,691              | 211,780             | 103,486             |
| Office Expense                                       |                     | 67,274               | -                    | -                  | 67,274              | -                   | 7,426                     | 7,426               | 74,700              | 63,764              |
| Depreciation   |                     | 10,959               | -                    | -                  | 10,959              | -                   | -                         | -                   | 10,959              | 11,337              |
| Other  |                     | 35,000               | -                    | -                  | 35,000              | -                   | 916,110                   | 916,110             | 951,110             | 295,241             |
| Total Expenses                                       |                     | <u>\$ 8,378,224</u>  | <u>\$ 1,022,142</u>  | <u>\$ -</u>        | <u>\$ 9,400,366</u> | <u>\$ -</u>         | <u>\$ 2,872,305</u>       | <u>\$ 2,872,305</u> | <u>\$12,272,671</u> | <u>\$10,936,839</u> |

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 Auditor's Report**

To Management and the Board of Trustees  
Brooklyn Excelsior 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 Excelsior Charter School (the "School"), which comprise the statement of financial position as of June 30, 2020 and 2019 and the related statements of activities and change in net assets and cash flows for the years then ended, and related notes to the financial statements, and have issued our report thereon dated October 22, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Brooklyn Excelsior Charter 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 School'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**

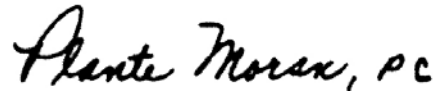
As part of obtaining reasonable assurance about whether Brooklyn Excelsior Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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*.



To Management and the Board of Trustees  
Brooklyn Excelsior Charter School

**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 control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Alante Morse, PC". The signature is written in a cursive style with a large initial 'A'.

October 22, 2020

October 22, 2020

To the Board of Trustees  
Brooklyn Excelsior Charter School

We have audited the financial statements of Brooklyn Excelsior Charter School (the “Academy”) as of and for the years ended June 30, 2020 and 2019 and have issued our report thereon dated October 22, 2020. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated March 16, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of Brooklyn Excelsior Charter School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of Brooklyn Excelsior Charter School’s financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of Brooklyn Excelsior Charter School, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 22, 2020 regarding our consideration of Brooklyn Excelsior 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.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated June 10, 2020.

## **Significant Audit Findings**

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Brooklyn Excelsior Charter School are described in Note 2 to the financial statements.

As described in Note 2, the School adopted the provisions of ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is effective as of July 1, 2019 and was applied on a modified prospective basis. The School noted the standard did not have a significant impact on the timing of revenue recognition for government and individual grants and contracts. The School also adopted the provisions of ASU No. 2016-18, *Restricted Cash*. The new guidance is effective as of July 1, 2019 and was applied on the modified prospective basis.

We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no significant balances, amounts, or disclosures in the financial statements based on sensitive management estimates.

The disclosures in the financial statements are neutral, consistent, and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

We did not detect any misstatements as a result of audit procedures.

To the Board of Trustees  
Brooklyn Excelsior Charter School

October 22, 2020

***Significant Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 22, 2020.

***Management Consultations with Other Independent Accountants***

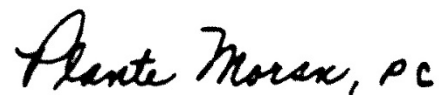
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

This information is intended solely for the use of the board of trustees and management of Brooklyn Excelsior Charter School and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the preceding communications, and we would be willing to discuss these or any other questions that you might have at your convenience.

Very truly yours,

**Plante & Moran, PC**

A handwritten signature in black ink that reads "Plante Moran, PC". The signature is written in a cursive, flowing style.



SINGLE AUDIT REPORT EXEMPTION FORM (Part 1 of 2)

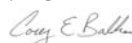
**This form must be completed and submitted if your agency is not required to have an audit of federal programs in accordance with OMB's Uniform Grant Guidance (2 CFR). If the form is not submitted upon request, your agency may be subject to withholding of funding for federal programs.**

**Agency Information:**

|   |            |  |  |
|---|------------|--|--|
| <u>Agency Name and Address</u><br>Brooklyn Excelsior Charter School<br>856 Quincy St<br>Brooklyn, NY 11221-3612 |            | <u>FEIN(s)</u><br>[REDACTED]                                   | <u>Fiscal Year End Date</u><br>6/30/2020 |
| <u>Agency Representative</u><br>Corey Balkon  |            | <u>Title</u><br>Director of Accounting and Financial Reporting |  |
| <u>Telephone</u><br>616-222-1700  | <u>Fax</u> | <u>Email</u><br>cbalkon@nhaschools.com                         |  |

**Certification:**

For the fiscal year indicated above, the agency did not incur expenditures of \$750,000 or more for all federal programs and is not required to have an audit of federal programs in accordance with OMB's Uniform Grant Guidance.

|   |                           |
|---|---------------------------|
| <u>Agency Representative's Signature</u><br> | <u>Date</u><br>10/27/2020 |
|---|---------------------------|

**Independent Auditor Information:**

|   |                          |  |
|---|--------------------------|--|
| <u>Firm Name and Address</u><br>Plante Moran, Pc<br>27400 Northwestern Highway<br>P.O. Box 307<br>Southfield, MI 48307-0307 |                          |  |
| <u>CPA Name</u><br>Michael Lamfers  |                          | <u>New York State License Number</u><br>090999 |
| <u>Telephone</u><br>[REDACTED]  | <u>Fax</u><br>[REDACTED] | <u>Email</u><br>[REDACTED]                     |

The agency must fill in the information above and sign the certification. The form should be uploaded on the SED Survey tool.

SINGLE AUDIT REPORT EXEMPTION FORM (Part 2 of 2)

If your agency expended between \$550,000 and \$750,000 for all federal programs, please complete the following table for all federal programs where expenditures were incurred:

*Sample entry:*

| Federal Agency                        | Pass Through Entity (if applicable) | Pass Through Entity Identifying Number | CFDA #  | Total Expenditures for fiscal year * |
|---------------------------------------|-------------------------------------|--|---------|--------------------------------------|
| United States Department of Education | New York State Education Department | 0000-05-0000                           | 84.010A | \$153,000                            |

Agency Name: Brooklyn Excelsior Charter School

| Federal Agency                          | Pass Through Entity (if applicable)   | Pass Through Entity Identifying Number | CFDA # | Total Expenditures for fiscal year* |
|---|---------------------------------------|--|--------|-------------------------------------|
| United States Department of Education   | New York State Education Department   |  | 84.010 | 262,286                             |
| United States Department of Education   | New York City Department of Education |  | 84.173 | 83,832                              |
| United States Department of Agriculture | New York State Education Department   |  | 10.555 | 187,723                             |
| United States Department of Agriculture | New York State Education Department   |  | 10.553 | 47,161                              |
| United States Department of Education   | New York State Education Department   |  | 84.367 | 24,532                              |
| United States Department of Education   | New York State Education Department   |  | 84.424 | 2,196                               |
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Total expenditures for all federal awards **607,730**

\* Include the value of federal awards expended in the form of non-cash assistance, the amount of insurance in effect during year, and loans or loan guarantees outstanding at year-end.