

# **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.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

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

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of activities, and functional expenses by school as of and for the year ended June 30, 2020 on pages 17 through 21 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 22 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), 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 12, 2020 on our consideration of the School’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School’s internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 12, 2020

## Explore Charter Schools of Brooklyn

### Statements of Financial Position

|  | June 30,      |               |
|--|---------------|---------------|
|  | 2020          | 2019          |
| <b>ASSETS</b>                                |               |               |
| 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 |
| <b>LIABILITIES AND NET ASSETS</b>            |               |               |
| 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

### Statements of Activities

|   | Year Ended June 30, |               |
|---|---------------------|---------------|
|   | 2020                | 2019          |
| <b>OPERATING REVENUE</b>                    |                     |               |
| State and local per pupil operating revenue |                     |               |
| General education                           | \$ 33,770,525       | \$ 31,870,270 |
| Special education                           | 5,391,534           | 5,450,850     |
| Federal grants                              | 905,980             | 989,596       |
| Federal E-Rate and IDEA                     | 490,859             | 491,606       |
| State grants                                | 115,808             | 154,454       |
| Total Operating Revenue                     | 40,674,706          | 38,956,776    |
| <b>EXPENSES</b>                             |                     |               |
| Program Services                            |                     |               |
| Regular education                           | 23,042,535          | 23,274,404    |
| Special education                           | 10,564,312          | 11,009,848    |
| Total Program Services                      | 33,606,847          | 34,284,252    |
| Supporting Services                         |                     |               |
| Management and general                      | 6,591,228           | 6,649,452     |
| Total Expenses                              | 40,198,075          | 40,933,704    |
| Surplus (deficit) from Operations           | 476,631             | (1,976,928)   |
| <b>SUPPORT AND OTHER REVENUE</b>            |                     |               |
| Contributions                               | 55,500              | 32,247        |
| Interest and other income                   | 100,328             | 41,384        |
| Total Support and Other Revenue             | 155,828             | 73,631        |
| Change in Net Assets                        | 632,459             | (1,903,297)   |
| <b>NET ASSETS</b>                           |                     |               |
| Beginning of year                           | 11,811,750          | 13,715,047    |
| End of year                                 | \$ 12,444,209       | \$ 11,811,750 |

See notes to financial statements

## Explore Charter Schools of Brooklyn

### Statement of Functional Expenses Year Ended June 30, 2020

|  | No. of<br>Positions | Program Services     |                      |                      | Management<br>and<br>General | Total                |
|--|---------------------|----------------------|----------------------|----------------------|------------------------------|----------------------|
|  |                     | Regular<br>Education | Special<br>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                      | 5,868,534            |
| Retirement   |                     | 154,196              | 77,025               | 231,221              | 34,335                       | 265,556              |
| Management company fees                              |                     | 2,137,539            | 517,095              | 2,654,634            | 1,392,790                    | 4,047,424            |
| Legal services                                       |                     | -                    | -                    | -                    | 6,203                        | 6,203                |
| Accounting / audit services                          |                     | -                    | -                    | -                    | 120,536                      | 120,536              |
| Other purchased / professional / consulting services |                     | 492,728              | 374,103              | 866,831              | 365,102                      | 1,231,933            |
| Repairs and maintenance                              |                     | 15,701               | 4,354                | 20,055               | 3,538                        | 23,593               |
| Insurance  |                     | 135,985              | 33,141               | 169,126              | 29,846                       | 198,972              |
| Utilities  |                     | 197,615              | 48,769               | 246,384              | 43,482                       | 289,866              |
| Supplies / materials                                 |                     | 524,797              | 131,452              | 656,249              | -                            | 656,249              |
| Equipment / furnishings                              |                     | 37,554               | 9,437                | 46,991               | 8,293                        | 55,284               |
| Staff development                                    |                     | 215,152              | 52,762               | 267,914              | 44,090                       | 312,004              |
| Marketing / recruitment                              |                     | 180,310              | 43,680               | 223,990              | 122,245                      | 346,235              |
| Technology   |                     | 857,993              | 212,612              | 1,070,605            | 188,930                      | 1,259,535            |
| Food service   |                     | 11,738               | 2,944                | 14,682               | -                            | 14,682               |
| Student services                                     |                     | 232,614              | 57,396               | 290,010              | -                            | 290,010              |
| Office expense                                       |                     | 177,822              | 19,758               | 197,580              | 197,581                      | 395,161              |
| Depreciation and amortization                        |                     | 10,511               | 2,383                | 12,894               | 77,671                       | 90,565               |
| Other  |                     | 118,345              | 29,644               | 147,989              | 26,131                       | 174,120              |
| <b>Total Expenses</b>                                |                     | <u>\$ 23,042,535</u> | <u>\$ 10,564,312</u> | <u>\$ 33,606,847</u> | <u>\$ 6,591,228</u>          | <u>\$ 40,198,075</u> |

See notes to financial statements

## Explore Charter Schools of Brooklyn

### Statement of Functional Expenses Year Ended June 30, 2019

|  | No. of<br>Positions | Program Services         |                          |                          | Management<br>and<br>General | Total                    |
|--|---------------------|--------------------------|--------------------------|--------------------------|------------------------------|--------------------------|
|  |                     | Regular<br>Education     | Special<br>Education     | Total                    |                              |                          |
| Personnel Services Costs                             |                     |                          |                          |                          |                              |                          |
| Administrative staff personnel                       | 87                  | \$ 4,294,800             | \$ 2,307,086             | \$ 6,601,886             | \$ 982,901                   | \$ 7,584,787             |
| Instructional personnel                              | 237                 | 9,631,616                | 5,156,807                | 14,788,423               | 2,193,986                    | 16,982,409               |
| Total Salaries and Staff                             | <u>324</u>          | <u>13,926,416</u>        | <u>7,463,893</u>         | <u>21,390,309</u>        | <u>3,176,887</u>             | <u>24,567,196</u>        |
| Fringe benefits and payroll taxes                    |                     | 3,216,019                | 1,727,215                | 4,943,234                | 733,120                      | 5,676,354                |
| Retirement   |                     | 107,811                  | 57,084                   | 164,895                  | 23,882                       | 188,777                  |
| Management company fees                              |                     | 2,036,707                | 530,590                  | 2,567,297                | 1,346,969                    | 3,914,266                |
| Legal services                                       |                     | -                        | -                        | -                        | 12,228                       | 12,228                   |
| Accounting / audit services                          |                     | -                        | -                        | -                        | 67,252                       | 67,252                   |
| Other purchased / professional / consulting services |                     | 847,047                  | 433,072                  | 1,280,119                | 494,718                      | 1,774,837                |
| Repairs and maintenance                              |                     | 52,549                   | 14,021                   | 66,570                   | 11,748                       | 78,318                   |
| Insurance  |                     | 122,164                  | 32,011                   | 154,175                  | 27,207                       | 181,382                  |
| Utilities  |                     | 188,163                  | 49,493                   | 237,656                  | 41,940                       | 279,596                  |
| Supplies / materials                                 |                     | 622,404                  | 161,198                  | 783,602                  | -                            | 783,602                  |
| Staff development                                    |                     | 80,356                   | 20,249                   | 100,605                  | 17,754                       | 118,359                  |
| Equipment / furnishings                              |                     | 358,975                  | 93,399                   | 452,374                  | 92,716                       | 545,090                  |
| Marketing / recruitment                              |                     | 236,732                  | 63,057                   | 299,789                  | 89,525                       | 389,314                  |
| Technology   |                     | 666,621                  | 176,962                  | 843,583                  | 148,867                      | 992,450                  |
| Food service   |                     | 20,571                   | 5,357                    | 25,928                   | -                            | 25,928                   |
| Student services                                     |                     | 382,122                  | 101,708                  | 483,830                  | -                            | 483,830                  |
| Office expense                                       |                     | 197,095                  | 21,900                   | 218,995                  | 218,992                      | 437,987                  |
| Depreciation and amortization                        |                     | 39,711                   | 11,346                   | 51,057                   | 106,776                      | 157,833                  |
| Other  |                     | <u>172,941</u>           | <u>47,293</u>            | <u>220,234</u>           | <u>38,871</u>                | <u>259,105</u>           |
| <br>Total Expenses                                   |                     | <br><u>\$ 23,274,404</u> | <br><u>\$ 11,009,848</u> | <br><u>\$ 34,284,252</u> | <br><u>\$ 6,649,452</u>      | <br><u>\$ 40,933,704</u> |

See notes to financial statements



## Explore Charter Schools of Brooklyn

### Statements of Cash Flows

|  | Year Ended June 30, |                |
|--|---------------------|----------------|
|  | 2020                | 2019           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                     |                |
| Change in net assets   | \$ 632,459          | \$ (1,903,297) |
| Adjustments to reconcile change in net assets<br>to net cash from operating activities                                     |                     |                |
| Depreciation and amortization  | 90,565              | 157,833        |
| Changes in operating assets and liabilities  |                     |                |
| Grants and contracts receivable  | (731,950)           | 729,145        |
| Prepaid expenses and other current assets  | 572,969             | (481,689)      |
| Accounts payable and accrued expenses  | (122,183)           | (153,595)      |
| Accrued payroll and payroll taxes  | (139,131)           | 266,654        |
| Refundable advances  | (48,219)            | (61,796)       |
| Due to related party   | (183,431)           | 231,840        |
| Net Cash from Operating Activities   | 71,079              | (1,214,905)    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                     |                |
| Purchases of property and equipment  | (517,814)           | (593,181)      |
| Purchase of investments  | (3,348,417)         | (3,016,324)    |
| Proceeds from maturity of investment   | 1,250,000           | 500,000        |
| Net Cash from Investing Activities   | (2,616,231)         | (3,109,505)    |
| <b>CASH FLOWS FROM FINANCING ACTIVITY</b>  |                     |                |
| Proceeds from Paycheck Protection Program loan   | 4,901,563           | -              |
| Net Change in Cash and Restricted Cash   | 2,356,411           | (4,324,410)    |
| <b>CASH AND RESTRICTED CASH</b>  |                     |                |
| Beginning of year  | 9,733,558           | 14,057,968     |
| End of year  | \$ 12,089,969       | \$ 9,733,558   |
| The following table provides a reconciliation of cash, and<br>restricted cash within the statements of financial position: |                     |                |
| Cash   | \$ 11,789,220       | \$ 9,432,927   |
| Restricted cash  | 300,749             | 300,631        |
|  | \$ 12,089,969       | \$ 9,733,558   |

See notes to financial statements

## Explore Charter Schools of Brooklyn

Notes to Financial Statements  
June 30, 2020 and 2019

### 1. Organization and Tax Status

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

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

Explore Charter School ("Explore") - The School was granted a provisional charter on June 12, 2001, valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York ("Board of Regents"). Explore obtained a renewal to its charter expiring on July 31, 2024.

Explore Empower Charter School ("Empower") - The School was granted a provisional charter on December 16, 2008, valid for a term of five years and renewable upon expiration by the Board of Regents. Empower obtained a renewal to its charter expiring on July 31, 2025.

Explore Excel Charter School ("Excel") - The School was granted a provisional charter on December 14, 2010, valid for a term of five years and renewable upon expiration by the Board of Regents. Excel obtained a renewal to its charter expiring on July 31, 2024.

Explore Exceed Charter School ("Exceed") - The School was granted a provisional charter on September 13, 2011, valid for a term of five years and renewable upon expiration by the Board of Regents. Exceed obtained a renewal to its charter expiring on July 31, 2025.

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

The School provided education to approximately 2,065 students in grades kindergarten through eighth grade during the 2019-2020 academic year.

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

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

## Explore Charter Schools of Brooklyn

Notes to Financial Statements  
June 30, 2020 and 2019

### 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.

#### ***Adoption of New Accounting Policies***

##### *Recognition of Contributions*

Effective January 1, 2019, the School adopted Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether contributions and grants should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the School recognizes contributions and grants, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

##### *Restricted Cash*

In November 2016, the Financial Accounting Standards Board issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 requires significant changes regarding how restricted cash is classified and presented on the statement of cash flows. On January 1, 2019, the School adopted the new guidance regarding the presentation and classification of restricted cash. The guidance requires the School to 1) include restricted cash and restricted cash equivalents in the cash and cash equivalent balances on the statements of cash flows, 2) provide a reconciliation between the statements of financial position and the statements of cash flows when more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents is presented on the statements of financial position, 3) eliminate the presentation of transfers between restricted cash and cash, and 4) include disclosures about the nature of the restrictions for material balances. Adoption of the ASU resulted in a change in the accounting for restricted cash on the statements of cash flows.

## Explore Charter Schools of Brooklyn

Notes to Financial Statements  
June 30, 2020 and 2019

### 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. 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.

#### ***Fair Value Measurements***

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

#### ***Investment Valuation***

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

#### ***Investment Income Recognition***

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

#### ***Restricted Cash***

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

## Explore Charter Schools of Brooklyn

Notes to Financial Statements  
June 30, 2020 and 2019

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

#### ***Property and Equipment***

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$5,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset 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.

#### ***Refundable Advances***

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

#### ***Revenue and Support***

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

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as 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.

## Explore Charter Schools of Brooklyn

Notes to Financial Statements  
June 30, 2020 and 2019

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

#### ***Marketing and Recruitment***

The School uses marketing and recruitment specifically aimed at hiring staff and obtaining new students. Accordingly, all costs in marketing and recruitment are allocated to program and management and general expenditures and expensed as incurred. For the years ended June 30, 2020 and 2019, marketing and recruiting expenses totaled \$346,234 and \$389,314.

#### ***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, 2017.

#### ***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 12, 2020.

### 3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state, city entitlements and grants. The School expects to collect these receivables within one year. As of June 30, 2020 and 2019, no allowance for doubtful accounts has been deemed necessary.

### 4. Fair Value of Investments

The School's investments as of June 30, 2020 and 2019 consist of the following:

|                         | 2020                |                     | 2019                |                     |
|-------------------------|---------------------|---------------------|---------------------|---------------------|
|                         | Cost                | Market              | Cost                | Market              |
| Certificates of deposit | \$ 2,000,000        | \$ 2,054,613        | \$ 2,500,000        | \$ 2,508,268        |
| Money market fund       | 2,560,128           | 2,560,128           | 8,056               | 8,056               |
|                         | <u>\$ 4,560,128</u> | <u>\$ 4,614,741</u> | <u>\$ 2,508,056</u> | <u>\$ 2,516,324</u> |

## Explore Charter Schools of Brooklyn

Notes to Financial Statements  
June 30, 2020 and 2019

### 4. Fair Value of Investments *(continued)*

Interest income from investments reported in the statements of activities within interest and other income for the years ended June 30, 2020 and 2019 was \$98,448 and \$16,324.

### 5. Related Party Transactions *(not disclosed elsewhere)*

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

The School entered into a management agreement with ESI through June 30, 2016 to provide the School with educational management services and designs. Pursuant to the agreement, ESI is to select and implement educational programs, coaching and professional development to school-based leadership, manage the School’s business administration and support the Board of Trustees in all governance issues. As compensation to ESI for these services, the School paid an annual fee of 12% of the School’s general education per pupil operating revenue. Management fee expense for the years ended June 30, 2020 and 2019 was \$4,047,423 and \$3,914,266.

For operational efficiency and purchasing power, the School shares certain expenses with ESI. Net shared operational expenses consisting primarily of medical benefits, charged to the School for the years ended June 30, 2020 and 2019 was \$1,466,241 and \$2,597,524. The net balance due to ESI at June 30, 2020 and 2019 was \$151,964 and \$335,395.

### 6. Property and Equipment

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

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| Equipment                                 | \$ 88,777           | \$ 893,139          |
| Furniture and fixtures                    | 46,381              | 94,080              |
| Software                                  | -                   | 6,398               |
| Leasehold improvements                    | <u>3,110,717</u>    | <u>2,592,907</u>    |
|   | 3,245,875           | 3,586,524           |
| Accumulated depreciation and amortization | <u>(387,062)</u>    | <u>(1,154,960)</u>  |
|   | <u>\$ 2,858,813</u> | <u>\$ 2,431,564</u> |

Assets with a cost basis and accumulated depreciation of \$858,463 were disposed of during the year ended June 30, 2020.

## 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 limiting their use within one year of the statement of financial position date, are comprised of the following at June 30:

|                                 | <u>2020</u>          | <u>2019</u>         |
|---------------------------------|----------------------|---------------------|
| Cash                            | \$ 11,789,220        | \$ 9,432,927        |
| Grants and contracts receivable | <u>944,122</u>       | <u>212,172</u>      |
|                                 | <u>\$ 12,733,342</u> | <u>\$ 9,645,099</u> |

As part of the School's liquidity management plan, the status of grants and accounts receivable is monitored regularly and any excess cash is held in savings accounts and other highly liquid instruments until it is required for operational use. At June 30, 2020 and 2019 the Board of Trustees has designated \$3,500,000 of net assets without donor restrictions that could be drawn upon through board resolution and can be made available for current operations.

### 8. Employee Benefit Plan

The School maintains a defined contribution 403(b) plan covering all eligible employees. Under this plan, employer contributions are discretionary and are based on a percentage of employees' salaries as determined by the School's Board of Trustees. The School matched 50% of the employees' elective contributions not to exceed 10% of the employees' salary for the years ended June 30, 2020 and 2019. The total employer contribution did not exceed 5% of the employees' salary. Retirement expense incurred by the School for the years ended June 30, 2020 and 2019 amounted to \$265,557 and \$188,777.

### 9. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2020 and 2019, approximately \$11,840,000 and \$9,484,000 of cash was maintained with an institution in excess of FDIC limits.

### 10. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2020 and 2019, the School received approximately 96% of its revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.



## Explore Charter Schools of Brooklyn

Notes to Financial Statements  
June 30, 2020 and 2019

### 11. School Facilities

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

### 12. Paycheck Protection Program Loan Payable

On June 5, 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 \$4,901,563 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the PPP upon the School's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the School. The School intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. The School believes that most, if not all, of the PPP Loan will meet the requirements for debt forgiveness. To the extent that all or part of the PPP Loan is not forgiven, the School will be required to pay interest on the PPP Loan through the date principal is repaid in full or maturity date.

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

### 13. Contingency

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

## Explore Charter Schools of Brooklyn

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 operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

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# **Explore Charter Schools of Brooklyn**

Supplementary Information

June 30, 2020

## Explore Charter Schools of Brooklyn

### 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>         |
|---|---------------------|---------------------|---------------------|-------------------|----------------------|
| <b>OPERATING REVENUE</b>                    |                     |                     |                     |                   |                      |
| 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>    |
| <b>EXPENSES</b>                             |                     |                     |                     |                   |                      |
| 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>       |
| <b>SUPPORT AND OTHER REVENUE</b>            |                     |                     |                     |                   |                      |
| 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              |
| <b>NET ASSETS</b>                           |                     |                     |                     |                   |                      |
| 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> |

## Explore Charter School

### Schedule of Functional Expenses Year Ended June 30, 2020

|  | No. of<br>Positions | Program Sources      |                      |                     | Management<br>and<br>General | Total               |
|--|---------------------|----------------------|----------------------|---------------------|------------------------------|---------------------|
|  |                     | Regular<br>Education | Special<br>Education | Total               |                              |                     |
| Personnel Services Costs                             |                     |                      |                      |                     |                              |                     |
| Administrative staff personnel                       | 20                  | \$ 1,175,500         | \$ 499,124           | \$ 1,674,624        | \$ 243,815                   | \$ 1,918,439        |
| Instructional personnel                              | 54                  | 2,364,121            | 1,003,818            | 3,367,939           | 490,353                      | 3,858,292           |
| Total Salaries and Staff                             | <u>74</u>           | <u>3,539,621</u>     | <u>1,502,942</u>     | <u>5,042,563</u>    | <u>734,168</u>               | <u>5,776,731</u>    |
| Fringe benefits and payroll taxes                    |                     | 823,900              | 349,832              | 1,173,732           | 170,889                      | 1,344,621           |
| Retirement   |                     | 38,127               | 16,189               | 54,316              | 7,908                        | 62,224              |
| Management company fees                              |                     | 598,202              | 97,717               | 695,919             | 365,123                      | 1,061,042           |
| Legal services                                       |                     | -                    | -                    | -                   | 1,110                        | 1,110               |
| Accounting / audit services                          |                     | -                    | -                    | -                   | 39,071                       | 39,071              |
| Other purchased / professional / consulting services |                     | 86,227               | 62,048               | 148,275             | 94,950                       | 243,225             |
| Repairs and maintenance                              |                     | 61                   | 10                   | 71                  | 12                           | 83                  |
| Insurance  |                     | 35,852               | 5,856                | 41,708              | 7,360                        | 49,068              |
| Utilities  |                     | 49,631               | 8,109                | 57,740              | 10,191                       | 67,931              |
| Supplies / materials                                 |                     | 126,203              | 20,615               | 146,818             | -                            | 146,818             |
| Equipment / furnishings                              |                     | 12,265               | 2,003                | 14,268              | 2,518                        | 16,786              |
| Staff development                                    |                     | 57,939               | 9,464                | 67,403              | 14,932                       | 82,335              |
| Marketing / recruitment                              |                     | 49,181               | 8,034                | 57,215              | 20,750                       | 77,965              |
| Technology   |                     | 213,813              | 34,927               | 248,740             | 43,895                       | 292,635             |
| Food service   |                     | 1,568                | 256                  | 1,824               | -                            | 1,824               |
| Student services                                     |                     | 71,194               | 11,630               | 82,824              | -                            | 82,824              |
| Office expense                                       |                     | 36,557               | 4,062                | 40,619              | 40,619                       | 81,238              |
| Depreciation and amortization                        |                     | 2,770                | 452                  | 3,222               | 18,259                       | 21,481              |
| Other  |                     | 23,573               | 3,851                | 27,424              | 4,850                        | 32,274              |
| Total Expenses                                       |                     | <u>\$ 5,766,684</u>  | <u>\$ 2,137,997</u>  | <u>\$ 7,904,681</u> | <u>\$ 1,576,605</u>          | <u>\$ 9,481,286</u> |

See independent auditors' report

## Explore Empower Charter School

### Schedule of Functional Expenses Year Ended June 30, 2020

|  | No. of<br>Positions | Program Sources      |                      |                     | Management<br>and<br>General | Total               |
|--|---------------------|----------------------|----------------------|---------------------|------------------------------|---------------------|
|  |                     | Regular<br>Education | Special<br>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

## Explore Excel Charter School

### Schedule of Functional Expenses Year Ended June 30, 2020

|  | No. of<br>Positions | Program Sources      |                      |                     | Management<br>and<br>General | Total                |
|--|---------------------|----------------------|----------------------|---------------------|------------------------------|----------------------|
|  |                     | Regular<br>Education | Special<br>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>    | 816,407                      | <u>6,378,132</u>     |
| Fringe benefits and payroll taxes                    |                     | 890,368              | 450,844              | 1,341,212           | 196,877                      | 1,538,089            |
| Retirement   |                     | 47,848               | 24,228               | 72,076              | 10,580                       | 82,656               |
| Management company fees                              |                     | 560,111              | 142,891              | 703,002             | 368,840                      | 1,071,842            |
| Legal services                                       |                     | -                    | -                    | -                   | 1,298                        | 1,298                |
| Accounting / audit services                          |                     | -                    | -                    | -                   | 27,215                       | 27,215               |
| Other purchased / professional / consulting services |                     | 142,414              | 123,546              | 265,960             | 86,713                       | 352,673              |
| Repairs and maintenance                              |                     | 2,629                | 671                  | 3,300               | 582                          | 3,882                |
| Insurance  |                     | 35,500               | 9,057                | 44,557              | 7,863                        | 52,420               |
| Utilities  |                     | 54,592               | 13,927               | 68,519              | 12,092                       | 80,611               |
| Supplies / materials                                 |                     | 111,681              | 28,491               | 140,172             | -                            | 140,172              |
| Equipment / furnishings                              |                     | 2,711                | 692                  | 3,403               | 601                          | 4,004                |
| Staff development                                    |                     | 59,598               | 15,204               | 74,802              | 9,342                        | 84,144               |
| Marketing / recruitment                              |                     | 46,185               | 11,782               | 57,967              | 43,495                       | 101,462              |
| Technology   |                     | 235,233              | 60,011               | 295,244             | 52,102                       | 347,346              |
| Food service   |                     | 7,947                | 2,027                | 9,974               | -                            | 9,974                |
| Student services                                     |                     | 37,676               | 9,612                | 47,288              | -                            | 47,288               |
| Office expense                                       |                     | 42,454               | 4,717                | 47,171              | 47,171                       | 94,342               |
| Depreciation and amortization                        |                     | 4,635                | 1,182                | 5,817               | 32,964                       | 38,781               |
| Other  |                     | 31,065               | 7,925                | 38,990              | 6,881                        | 45,871               |
| Total Expenses                                       |                     | <u>\$ 6,004,817</u>  | <u>\$ 2,776,362</u>  | <u>\$ 8,781,179</u> | <u>\$ 1,721,023</u>          | <u>\$ 10,502,202</u> |

See independent auditors' report

**Explore Exceed Charter School**

Schedule of Functional Expenses  
Year Ended June 30, 2020

|  | No. of<br>Positions | Program Sources      |                      |                     | Management<br>and<br>General | Total                |
|--|---------------------|----------------------|----------------------|---------------------|------------------------------|----------------------|
|  |                     | Regular<br>Education | Special<br>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

**Explore Charter Schools of Brooklyn**

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

| Federal Grantor/Pass-through Grantor/<br>Program or Cluster Title                                  | Federal CFDA<br>Number | Pass-through<br>Entity Identifying<br>Number | Provided to<br>Subrecipients | Total<br>Federal<br>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<br>(Formerly Improving Teacher Quality State Grants) | 84.367                 | 0147-20-4085                                 | -                            | 20,630                           |
| Supporting Effective Instruction State Grants<br>(Formerly Improving Teacher Quality State Grants) | 84.367                 | 0147-20-4575                                 | -                            | 18,981                           |
| Supporting Effective Instruction State Grants<br>(Formerly Improving Teacher Quality State Grants) | 84.367                 | 0147-20-4845                                 | -                            | 21,304                           |
| Supporting Effective Instruction State Grants<br>(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

## Explore Charter Schools of Brooklyn

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

### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

### 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

### 3. Indirect Cost Rate

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

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

**Independent Auditors' Report**

**Board of Trustees  
Explore Charter Schools of Brooklyn**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Explore Charter Schools of Brooklyn (the "School"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expense and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2020.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 12, 2020

**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.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

***Report on Internal Control Over Compliance***

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 12, 2020

## 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 – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2020.

### Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instances 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's Findings

There were no prior year audit findings.