

Explore Charter Schools of Brooklyn

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

June 30, 2023 and 2022

Explore Charter Schools of Brooklyn

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Independent Auditors' Report

Board of Trustees
Explore Charter Schools of Brooklyn

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Explore Charter Schools of Brooklyn (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Explore Charter Schools of Brooklyn as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school for the year ended June 30, 2023 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 pages 22 and 23 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023, on our consideration of Explore Charter Schools of Brooklyn'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 Explore Charter Schools of Brooklyn'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 Explore Charter Schools of Brooklyn's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
October 16, 2023

Explore Charter Schools of Brooklyn

Statements of Financial Position

	June 30,	
	2023	2022
ASSETS		
Current Assets		
Cash	\$ 4,880,216	\$ 9,216,784
Grants and contracts receivable	1,767,242	1,865,587
Prepaid expenses and other current assets	146,205	1,491,314
Total Current Assets	6,793,663	12,573,685
Investments	4,498,660	4,457,184
Property and equipment, net	3,561,673	3,145,808
Restricted cash	300,907	300,855
	\$ 15,154,903	\$ 20,477,532
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,230,974	\$ 1,597,280
Accrued payroll and payroll taxes	3,011,632	2,799,650
Refundable advances	60,678	195,538
Due to related party	1,276,267	349,767
Total Current Liabilities	5,579,551	4,942,235
Net Assets, Without Donor Restrictions		
Undesignated	6,075,352	12,035,297
Board-designated	3,500,000	3,500,000
Total Net Assets, Without Donor Restrictions	9,575,352	15,535,297
	\$ 15,154,903	\$ 20,477,532

See notes to financial statements

Explore Charter Schools of Brooklyn

Statements of Activities

	Year Ended June 30,	
	2023	2022
OPERATING REVENUE		
State and local per pupil operating revenue		
General education	\$ 33,292,638	\$ 32,010,455
Special education	5,085,748	4,788,412
Federal grants	3,115,448	4,587,672
Federal E-Rate and IDEA	657,999	632,878
State grants	154,974	155,523
Total Operating Revenue	42,306,807	42,174,940
EXPENSES		
Program Services		
Regular education	27,900,500	24,646,760
Special education	11,667,501	10,869,240
Total Program Services	39,568,001	35,516,000
Supporting Services		
Management and general	9,090,394	7,866,158
Total Expenses	48,658,395	43,382,158
(Deficit) from Operations	(6,351,588)	(1,207,218)
SUPPORT AND OTHER REVENUE		
Contributions	350,013	35,700
Interest and other income	30,881	44,912
Unrealized gain(loss) on investments	10,749	(194,111)
Total Support and Other Revenue	391,643	(113,499)
Change in Net Assets	(5,959,945)	(1,320,717)
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	15,535,297	16,856,014
End of year	\$ 9,575,352	\$ 15,535,297

See notes to financial statements

Explore Charter Schools of Brooklyn

Statement of Functional Expenses
Year Ended June 30, 2023

	No. of Positions	Program Services			Management and	Total
		Regular Education	Special Education	Total	General	
Personnel Services Costs						
Administrative staff personnel	80	\$ 5,489,015	\$ 2,733,242	\$ 8,222,257	\$ 1,560,900	\$ 9,783,157
Instructional personnel	218	10,345,062	5,191,655	15,536,717	2,916,850	18,453,567
Total Personnel Services Costs	<u>298</u>	15,834,077	7,924,897	23,758,974	4,477,750	28,236,724
Fringe benefits and payroll taxes		3,874,908	1,938,302	5,813,210	1,095,864	6,909,074
Retirement		186,914	89,561	276,475	52,173	328,648
Management company fees		2,508,282	581,267	3,089,549	1,620,974	4,710,523
Legal services		-	-	-	152,390	152,390
Accounting / audit services		-	-	-	92,757	92,757
Other purchased / professional / consulting services		1,430,414	196,513	1,626,927	732,647	2,359,574
Building and land rent / Lease / Facility finance interest		4,845	1,250	6,095	1,076	7,171
Repairs and maintenance		30,017	8,786	38,803	6,848	45,651
Insurance		205,934	48,547	254,481	44,910	299,391
Utilities		199,300	49,857	249,157	43,969	293,126
Supplies / materials		959,479	227,359	1,186,838	-	1,186,838
Equipment / furnishings		79,107	19,738	98,845	17,442	116,287
Staff development		418,127	93,708	511,835	121,157	632,992
Marketing / recruitment		337,358	81,117	418,475	67,500	485,975
Technology		881,252	213,762	1,095,014	193,237	1,288,251
Food service		15,912	4,032	19,944	-	19,944
Student services		570,476	130,617	701,093	-	701,093
Office expense		219,250	24,361	243,611	243,610	487,221
Depreciation and amortization		19,315	3,778	23,093	98,627	121,720
Other		125,533	30,049	155,582	27,463	183,045
Total Expenses		<u>\$ 27,900,500</u>	<u>\$ 11,667,501</u>	<u>\$ 39,568,001</u>	<u>\$ 9,090,394</u>	<u>\$ 48,658,395</u>

See notes to financial statements

Explore Charter Schools of Brooklyn

Statement of Functional Expenses Year Ended June 30, 2022

	No. of Positions	Program Services			Management and	Total
		Regular Education	Special Education	Total	General	
Personnel Services Costs						
Administrative staff personnel	73	\$ 4,607,888	\$ 2,375,552	\$ 6,983,440	\$ 1,223,029	\$ 8,206,469
Instructional personnel	237	9,251,111	4,838,647	14,089,758	2,460,538	16,550,296
Total Personnel Services Costs	<u>310</u>	13,858,999	7,214,199	21,073,198	3,683,567	24,756,765
Fringe benefits and payroll taxes		3,591,262	1,875,109	5,466,371	955,041	6,421,412
Retirement		178,716	93,153	271,869	47,625	319,494
Management company fees		2,068,824	462,416	2,531,240	1,328,049	3,859,289
Legal services		-	-	-	23,082	23,082
Accounting / audit services		-	-	-	77,174	77,174
Other purchased / professional / consulting services		1,103,945	349,528	1,453,473	860,883	2,314,356
Repairs and maintenance		45,667	12,180	57,847	10,208	68,055
Insurance		186,794	42,384	229,178	40,443	269,621
Utilities		202,680	48,329	251,009	44,296	295,305
Supplies / materials		777,370	176,952	954,322	-	954,322
Equipment / furnishings		51,159	11,100	62,259	10,986	73,245
Staff development		325,625	74,086	399,711	69,899	469,610
Marketing / recruitment		373,287	87,524	460,811	170,855	631,666
Technology		1,014,987	237,171	1,252,158	220,970	1,473,128
Food service		28,191	6,960	35,151	-	35,151
Student services		510,090	124,119	634,209	-	634,209
Office expense		183,556	20,395	203,951	203,951	407,902
Depreciation and amortization		13,634	3,037	16,671	90,435	107,106
Other		131,974	30,598	162,572	28,694	191,266
 Total Expenses		<u>\$ 24,646,760</u>	<u>\$ 10,869,240</u>	<u>\$ 35,516,000</u>	<u>\$ 7,866,158</u>	<u>\$ 43,382,158</u>

See notes to financial statements

Explore Charter Schools of Brooklyn

Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (5,959,945)	\$ (1,320,717)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	121,720	107,106
Unrealized (gain)/loss on investments	(10,749)	194,111
Changes in operating assets and liabilities		
Grants and contracts receivable	98,345	630,335
Prepaid expenses and other current assets	1,345,109	(840,020)
Accounts payable and accrued expenses	(366,306)	379,422
Accrued payroll and payroll taxes	211,982	(676,349)
Refundable advances	(134,860)	61,150
Due to related party	926,500	347,773
Net Cash from Operating Activities	(3,768,204)	(1,117,189)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(537,585)	(364,765)
Interest reinvestments	-	(27,949)
Purchase of investments	(900,000)	-
Proceeds from maturity of investments	869,273	-
Net Cash from Investing Activities	(568,312)	(392,714)
 Net Change in Cash and Restricted Cash	(4,336,516)	(1,509,903)
 CASH AND RESTRICTED CASH		
Beginning of year	9,517,639	11,027,542
End of year	\$ 5,181,123	\$ 9,517,639

See notes to financial statements

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2023 and 2022

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”) - Explore 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”) - Empower 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”) - Excel 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”) - Exceed 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 1,890 students in grades kindergarten through eighth grade during the 2022-2023 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, 2023 and 2022

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net 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, 2023 and 2022.

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

Investments are stated at fair value.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2023 and 2022

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

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 the 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.

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

	<u>2023</u>	<u>2022</u>
Cash	\$ 4,880,216	\$ 9,216,784
Restricted cash	<u>300,907</u>	<u>300,855</u>
	<u>\$ 5,181,123</u>	<u>\$ 9,517,639</u>

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. Purchased property and equipment are recorded at cost at the date of acquisition. Maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case 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

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, 2023 and 2022.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2023 and 2022

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

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 net assets with donor restrictions support if they are received with donor stipulations. Contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Marketing and Recruitment

The School uses marketing and recruitment specifically aimed at hiring staff and enrolling 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, 2023 and 2022, marketing and recruiting expenses totaled \$485,975 and \$631,666.

Measure of Operations

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

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 such as personnel service costs, fringe benefits and payroll taxes, management company fees, other purchased, professional, consulting services, supplies and materials, and technology 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.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2023 and 2022

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

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, 2020.

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 16, 2023.

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. Management has assessed the need for an allowance and has determined that such an allowance is not necessary.

4. Fair Value of Investments

The School's investments at June 30, 2023 and 2022 consist of the following:

	2023		
	Level 1	Level 2	Total
Money market funds	\$ 51,820	\$ -	\$ 51,820
Certificates of deposit	-	2,997,288	2,997,288
US treasury notes	1,449,552	-	1,449,552
	<u>\$1,501,372</u>	<u>\$2,997,288</u>	<u>\$4,498,660</u>

	2022		
	Level 1	Level 2	Total
Money market funds	\$ 144,801	\$ -	\$ 144,801
Certificates of deposit	-	2,856,221	2,856,221
US treasury notes	1,456,162	-	1,456,162
	<u>\$1,600,963</u>	<u>\$2,856,221</u>	<u>\$4,457,184</u>

Interest income from investments reported in the statements of activities within interest and other income for the years ended June 30, 2023 and 2022 was \$30,881 and \$27,950.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2023 and 2022

5. Related Party Transactions (not disclosed elsewhere)

The School is related to 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 related to ESI through common management.

The School entered into a management agreement with ESI through June 30, 2016 which renews yearly 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, 2023 and 2022 was \$4,710,523 and \$3,859,289.

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, 2023 and 2022 was \$2,385,545 and \$1,808,828. The net balance due to ESI at June 30, 2023 and 2022 was \$1,276,267 and \$349,767.

6. Property and Equipment

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

	2023	2022
Computers and equipment	\$ 41,450	\$ -
Furniture and fixtures	44,515	44,515
Leasehold improvements	4,106,022	3,609,887
	4,191,987	3,654,402
Accumulated depreciation and amortization	(630,314)	(508,594)
	<u>\$ 3,561,673</u>	<u>\$ 3,145,808</u>

There were no dispositions during the year ended June 30, 2023. Property and equipment with a cost basis and accumulated depreciation of \$54,122 were disposed of during the year ended June 30, 2022.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2023 and 2022

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>2023</u>	<u>2022</u>
Cash	\$ 4,880,216	\$ 9,216,784
Grants and contracts receivable	<u>1,767,242</u>	<u>1,865,587</u>
	6,647,458	11,082,371
Board designated net assets	<u>(3,500,000)</u>	<u>(3,500,000)</u>
	<u>\$ 3,147,458</u>	<u>\$ 7,582,371</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly and any excess cash is held in savings accounts and other highly liquid instruments until it is required for operational use. At June 30, 2023 and 2022, 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. In the event of an unanticipated liquidity need, the School could draw upon investments in US treasury notes, certificates of deposit and money market funds to cover any temporary shortfall in funding. The School will continue to rely on funding received from The New York City Department of Education to cover its future operating costs (see Note 10).

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, 2023 and 2022. The total employer contribution did not exceed 5% of the employees' salary. Retirement expense incurred by the School for the years ended June 30, 2023 and 2022 amounted to \$328,649 and \$319,494.

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 of \$250,000. Investments are maintained at a broker which insures the balance up to \$500,000 with Securities Investor Protection Corporation insurance. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2023 and 2022, approximately \$4,931,000 and \$9,267,000 was maintained with an institution in excess of FDIC limits.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022, the School received approximately 90% and 88% 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.

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. 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

Supplementary Information

June 30, 2023

Explore Charter Schools of Brooklyn

Schedule of Activities by School
Year Ended June 30, 2023

	<u>Explore</u>	<u>Empower</u>	<u>Excel</u>	<u>Exceed</u>	<u>Total</u>
OPERATING REVENUE					
State and local per pupil operating revenue					
General education	\$ 9,085,921	\$ 7,551,208	\$ 9,302,347	\$ 7,353,162	\$ 33,292,638
Special education	974,932	1,197,687	1,118,118	1,795,011	5,085,748
Federal grants	932,117	657,339	801,247	724,745	3,115,448
Federal E-Rate and IDEA	111,659	132,937	203,954	209,449	657,999
State grants	<u>36,553</u>	<u>35,345</u>	<u>75,804</u>	<u>7,272</u>	<u>154,974</u>
Total Operating Revenue	<u>11,141,182</u>	<u>9,574,516</u>	<u>11,501,470</u>	<u>10,089,639</u>	<u>42,306,807</u>
EXPENSES					
Program Services					
Regular education	7,151,246	6,830,119	7,851,996	6,067,139	27,900,500
Special education	<u>2,166,897</u>	<u>2,410,356</u>	<u>2,831,467</u>	<u>4,258,781</u>	<u>11,667,501</u>
Total Program Services	9,318,143	9,240,475	10,683,463	10,325,920	39,568,001
Supporting Services					
Management and general	<u>2,274,988</u>	<u>2,348,991</u>	<u>2,267,180</u>	<u>2,199,235</u>	<u>9,090,394</u>
Total Expenses	<u>11,593,131</u>	<u>11,589,466</u>	<u>12,950,643</u>	<u>12,525,155</u>	<u>48,658,395</u>
 (Deficit) from Operations	<u>(451,949)</u>	<u>(2,014,950)</u>	<u>(1,449,173)</u>	<u>(2,435,516)</u>	<u>(6,351,588)</u>
SUPPORT AND OTHER REVENUE					
Contributions	87,500	87,500	87,513	87,500	350,013
Interest and other income	115	9	30,742	15	30,881
Unrealized gain on investments	<u>-</u>	<u>-</u>	<u>10,749</u>	<u>-</u>	<u>10,749</u>
Total Support and Other Revenue	<u>87,615</u>	<u>87,509</u>	<u>129,004</u>	<u>87,515</u>	<u>391,643</u>
 Change in Net Assets	(364,334)	(1,927,441)	(1,320,169)	(2,348,001)	(5,959,945)
NET ASSETS, WITHOUT DONOR RESTRICTIONS					
Beginning of year	<u>7,022,309</u>	<u>4,515,392</u>	<u>3,663,858</u>	<u>333,738</u>	<u>15,535,297</u>
End of year	<u>\$ 6,657,975</u>	<u>\$ 2,587,951</u>	<u>\$ 2,343,689</u>	<u>\$ (2,014,263)</u>	<u>\$ 9,575,352</u>

See independent auditors' report

Explore Charter School

Schedule of Functional Expenses - Explore Year Ended June 30, 2023

	No. of Positions	Program Services			Management and	Total
		Regular Education	Special Education	Total	General	
Personnel Services Costs						
Administrative staff personnel	21	\$ 1,514,072	\$ 570,371	\$ 2,084,443	\$ 431,803	\$ 2,516,246
Instructional personnel	51	2,466,035	928,987	3,395,022	703,296	4,098,318
Total Personnel Services Costs	<u>72</u>	3,980,107	1,499,358	5,479,465	1,135,099	6,614,564
Fringe benefits and payroll taxes		946,886	356,704	1,303,590	270,045	1,573,635
Retirement		53,105	20,005	73,110	15,145	88,255
Management company fees		707,635	102,014	809,649	424,794	1,234,443
Legal services		-	-	-	1,704	1,704
Accounting / audit services		-	-	-	24,850	24,850
Other purchased / professional / consulting services		412,220	38,903	451,123	197,649	648,772
Repairs and maintenance		1,351	195	1,546	273	1,819
Insurance		53,090	7,654	60,744	10,720	71,464
Utilities		44,119	6,360	50,479	8,908	59,387
Supplies / materials		276,241	39,824	316,065	-	316,065
Equipment / furnishings		31,348	4,519	35,867	6,329	42,196
Staff development		138,718	19,998	158,716	34,525	193,241
Marketing / recruitment		87,543	12,620	100,163	15,375	115,538
Technology		205,706	29,655	235,361	41,534	276,895
Food service		416	60	476	-	476
Student services		116,270	16,762	133,032	-	133,032
Office expense		49,821	5,536	55,357	55,356	110,713
Depreciation and amortization		8,835	1,272	10,107	25,041	35,148
Other		37,835	5,458	43,293	7,641	50,934
Total Expenses		<u>\$ 7,151,246</u>	<u>\$ 2,166,897</u>	<u>\$ 9,318,143</u>	<u>\$ 2,274,988</u>	<u>\$ 11,593,131</u>

See independent auditors' report

Explore Empower Charter School

Schedule of Functional Expenses - Empower
Year Ended June 30, 2023

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	19	\$ 1,440,876	\$ 571,548	\$ 2,012,424	\$ 421,867	\$ 2,434,291
Instructional personnel	51	2,509,470	995,423	3,504,893	734,736	4,239,629
Total Personnel Services Costs	<u>70</u>	3,950,346	1,566,971	5,517,317	1,156,603	6,673,920
Fringe benefits and payroll taxes		996,837	395,412	1,392,249	291,859	1,684,108
Retirement		42,114	16,705	58,819	12,330	71,149
Management company fees		562,584	140,721	703,305	368,998	1,072,303
Legal services		-	-	-	132,790	132,790
Accounting / audit services		-	-	-	20,088	20,088
Other purchased / professional / consulting services		274,653	46,818	321,471	146,821	468,292
Repairs and maintenance		9,638	2,411	12,049	2,126	14,175
Insurance		48,590	12,154	60,744	10,720	71,464
Utilities		47,821	11,962	59,783	10,550	70,333
Supplies / materials		257,485	64,406	321,891	-	321,891
Equipment / furnishings		20,699	5,177	25,876	4,566	30,442
Staff development		106,145	26,550	132,695	54,668	187,363
Marketing / recruitment		83,622	20,917	104,539	12,875	117,414
Technology		176,229	44,081	220,310	38,878	259,188
Food service		2,505	627	3,132	-	3,132
Student services		165,116	41,301	206,417	-	206,417
Office expense		52,537	5,837	58,374	58,375	116,749
Depreciation and amortization		2,830	708	3,538	20,045	23,583
Other		30,368	7,598	37,966	6,699	44,665
Total Expenses		<u>\$ 6,830,119</u>	<u>\$ 2,410,356</u>	<u>\$ 9,240,475</u>	<u>\$ 2,348,991</u>	<u>\$ 11,589,466</u>

See independent auditors' report

Explore Excel Charter School

Schedule of Functional Expenses - Excel
Year Ended June 30, 2023

	No. of Positions	Program Services			Management and	Total
		Regular Education	Special Education	Total	General	
Personnel Services Costs						
Administrative staff personnel	21	\$ 1,353,946	\$ 602,366	\$ 1,956,312	\$ 331,051	\$ 2,287,363
Instructional personnel	51	3,135,239	1,394,856	4,530,095	766,593	5,296,688
Total Personnel Services Costs	<u>72</u>	4,489,185	1,997,222	6,486,407	1,097,644	7,584,051
Fringe benefits and payroll taxes		1,099,349	489,096	1,588,445	268,800	1,857,245
Retirement		61,024	27,149	88,173	14,921	103,094
Management company fees		725,846	112,529	838,375	439,865	1,278,240
Legal services		-	-	-	1,704	1,704
Accounting / audit services		-	-	-	20,250	20,250
Other purchased / professional / consulting services		358,042	34,316	392,358	200,173	592,531
Building and land rent / Lease / Facility finance interest		3,108	482	3,590	633	4,223
Repairs and maintenance		7,744	1,201	8,945	1,579	10,524
Insurance		60,314	9,351	69,665	12,294	81,959
Utilities		55,327	8,577	63,904	11,277	75,181
Supplies / materials		226,157	35,062	261,219	-	261,219
Equipment / furnishings		6,630	1,028	7,658	1,351	9,009
Staff development		102,340	15,866	118,206	13,028	131,234
Marketing / recruitment		89,968	13,948	103,916	27,375	131,291
Technology		280,528	43,491	324,019	57,180	381,199
Food service		8,340	1,293	9,633	-	9,633
Student services		192,178	29,794	221,972	-	221,972
Office expense		51,393	5,710	57,103	57,103	114,206
Depreciation and amortization		5,514	855	6,369	36,090	42,459
Other		29,009	4,497	33,506	5,913	39,419
Total Expenses		<u>\$ 7,851,996</u>	<u>\$ 2,831,467</u>	<u>\$ 10,683,463</u>	<u>\$ 2,267,180</u>	<u>\$ 12,950,643</u>

See independent auditors' report

Explore Exceed Charter School

Schedule of Functional Expenses - Exceed
Year Ended June 30, 2023

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	19	\$ 1,180,121	\$ 988,957	\$ 2,169,078	\$ 376,183	\$ 2,545,261
Instructional personnel	65	<u>2,234,318</u>	<u>1,872,389</u>	<u>4,106,707</u>	<u>712,225</u>	<u>4,818,932</u>
Total Personnel Services Costs	<u>84</u>	3,414,439	2,861,346	6,275,785	1,088,408	7,364,193
Fringe benefits and payroll taxes		831,836	697,090	1,528,926	265,161	1,794,087
Retirement		30,671	25,702	56,373	9,777	66,150
Management company fees		512,217	226,003	738,220	387,317	1,125,537
Legal services		-	-	-	16,192	16,192
Accounting / audit services		-	-	-	27,569	27,569
Other purchased / professional / consulting services		385,499	76,476	461,975	188,004	649,979
Building and land rent / Lease / Facility finance interest		1,737	768	2,505	443	2,948
Repairs and maintenance		11,284	4,979	16,263	2,870	19,133
Insurance		43,940	19,388	63,328	11,176	74,504
Utilities		52,033	22,958	74,991	13,234	88,225
Supplies / materials		199,596	88,067	287,663	-	287,663
Equipment / furnishings		20,430	9,014	29,444	5,196	34,640
Staff development		70,924	31,294	102,218	18,936	121,154
Marketing / recruitment		76,225	33,632	109,857	11,875	121,732
Technology		218,789	96,535	315,324	55,645	370,969
Food service		4,651	2,052	6,703	-	6,703
Student services		96,912	42,760	139,672	-	139,672
Office expense		65,499	7,278	72,777	72,776	145,553
Depreciation and amortization		2,137	943	3,080	17,451	20,531
Other		<u>28,320</u>	<u>12,496</u>	<u>40,816</u>	<u>7,205</u>	<u>48,021</u>
Total Expenses		<u>\$ 6,067,139</u>	<u>\$ 4,258,781</u>	<u>\$ 10,325,920</u>	<u>\$ 2,199,235</u>	<u>\$ 12,525,155</u>

See independent auditors' report

EXPLORE CHARTER SCHOOLS OF BROOKLYN

Uniform Guidance
Schedules and Reports

June 30, 2023

Explore Charter Schools of Brooklyn

Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Education</u>				
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021-23-4085	\$ -	\$ 222,637
Title I Grants to Local Educational Agencies	84.010	0021-23-4575	-	187,723
Title I Grants to Local Educational Agencies	84.010	0021-23-4845	-	222,214
Title I Grants to Local Educational Agencies	84.010	0021-23-4275	-	184,334
			<u>-</u>	<u>816,908</u>
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-4085	-	27,423
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-4575	-	23,191
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-4845	-	27,300
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-23-4275	-	21,992
			<u>-</u>	<u>99,906</u>
Student Support and Academic Enrichment Program	84.424	0204-23-4085	-	15,416
Student Support and Academic Enrichment Program	84.424	0204-23-4575	-	13,882
Student Support and Academic Enrichment Program	84.424	0204-23-4845	-	15,164
Student Support and Academic Enrichment Program	84.424	0204-23-4275	-	13,980
			<u>-</u>	<u>58,442</u>
English Language Acquisition State Grants	84.365	0293-23-4845	-	20,203
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-4085	-	1,032
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-4575	-	1,238
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-4845	-	1,255
			<u>-</u>	<u>3,525</u>

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

Explore Charter Schools of Brooklyn

Schedule of Expenditures of Federal Awards *(continued)* Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Education <i>(continued)</i></u>				
Pass-Through New York State Education Department: <i>(continued)</i>				
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4085	\$ -	\$ 116,525
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4575	-	89,578
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4845	-	66,955
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4275	-	49,401
			<u>-</u>	<u>322,459</u>
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4085	-	548,441
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4575	-	320,704
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4845	-	428,683
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4275	-	437,291
			<u>-</u>	<u>1,735,119</u>
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP HCY II	84.425W	5218-21-4085	-	643
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP HCY II	84.425W	5218-21-4575	-	1,062
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP HCY II	84.425W	5218-21-4275	-	1,095
			<u>-</u>	<u>2,800</u>
Total U.S. Department of Education			<u>-</u>	<u>3,059,362</u>
<u>Federal Communications Commission</u>				
Pass-Through Universal Service Administrative Company:				
COVID-19 Emergency Connectivity Fund Program	32.009	Not available	-	56,086
			<u>-</u>	<u>56,086</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 3,115,448</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, 2023

1. **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Explore Charter Schools of Brooklyn (the "School"), under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

2. **Summary of Significant Accounting Policies**

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

3. **Indirect Cost Rate**

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

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

Independent Auditors' Report

Board of Trustees
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") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
October 16, 2023

**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

Opinion on Each Major Federal Program

We have audited Explore Charter Schools of Brooklyn's (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

PKF O'Connor Davies, LLP

Harrison, New York
October 16, 2023

Explore Charter Schools of Brooklyn

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to the financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

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

Unmodified

Any audit findings disclosed that are required

to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

84.010

Title I Grants to Local Educational Agencies

84.425D

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund

84.425D

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II

84.425U

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP

84.425W

COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP HCY II

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, 2023.

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 Findings

There were no findings in the prior year.

Board of Trustees
Explore Charter Schools of Brooklyn

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of Explore Charter Schools of Brooklyn (the "School") as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

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

This communication is intended solely for the information and use of management, Board of Trustees, federal, state and local awarding agencies, The Charter School Institute of the State University of New York, The State Education Department of the State University of New York, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by the personnel of the School during the course of our audit.

PKF O'Connor Davies, LLP

Harrison, New
October 16, 2023