

BROOKLYN DREAMS CHARTER SCHOOL



Financial Statements, Supplemental
Information, and Uniform Guidance Schedules
as of and for the Year Ended June 30, 2021,
and Independent Auditor's Reports

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BROOKLYN DREAMS CHARTER SCHOOL

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Independent Auditors' Report

Board of Trustees Brooklyn Dreams Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Brooklyn Dreams Charter School (the "School"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and change in net assets without donor restriction, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses for the year ended June 30, 2021 on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 13 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 29, 2021, 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 29, 2021

BROOKLYN DREAMS CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION JUNE 30, 2021

ASSETS

CURRENT ASSETS

Cash	\$	126,506
Due from governmental revenue sources		<u>641,508</u>

Total Current Assets 768,014

NON-CURRENT ASSETS

Capital assets, net		676
Restricted cash		<u>76,946</u>

TOTAL \$ 845,636

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Deferred revenue	\$	34,026
Contracted service fee payable		<u>685,364</u>

Total Liabilities 719,390

NET ASSETS

Net Assets, without donor restriction		<u>126,246</u>
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TOTAL \$ 845,636

See notes to financial statements

BROOKLYN DREAMS CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION YEAR ENDED JUNE 30, 2021

REVENUES, GAINS AND OTHER SUPPORT

Public School District	
Resident Student Enrollment	\$ 10,395,966
Students with Disabilities	1,426,634
Grants and Contracts	
Federal grants	766,222
Federal IDEA	99,531
Other	46,280
	<hr/>
Total Revenues, Gains and Other Support	12,734,633

EXPENSES

Contracted service fee	12,684,631
Board funds	24,168
Depreciation	2,904
	<hr/>
Total Expenses	12,711,703

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION 22,930

NET ASSETS, WITHOUT DONOR RESTRICTIONS

Beginning of year	<hr/> 103,316
End of year	<hr/> <hr/> \$ 126,246

See notes to financial statements

BROOKLYN DREAMS CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2021

	Program Services	Management and General	Fundraising	Total
Contracted Service Fee				
Total Salaries and Staff	\$ 4,739,408	\$ -	\$ -	\$ 4,739,408
Fringe Benefits & Payroll Taxes	909,271	-	-	909,271
Retirement	85,956	-	-	85,956
Legal Service	49,750	-	-	49,750
Accounting / Audit Services	35,004	205,417	-	240,421
Other Purchased / Professional / Consulting Services	436,440	480,103	-	916,543
Building and Land Rent / Lease	2,619,314	-	-	2,619,314
Repairs & Maintenance	448,998	41,433	-	490,431
Insurance	46,421	-	-	46,421
Utilities	131,381	-	-	131,381
Supplies / Materials	332,361	-	-	332,361
Equipment / Furnishings	276,778	-	-	276,778
Staff Development	20,663	63,655	-	84,318
Marketing / Recruitment	113,591	332,706	-	446,297
Technology	104,399	401,827	-	506,226
Food Service	97,506	-	-	97,506
Student Services	9,784	84,117	-	93,901
Office Expense	36,090	7,814	-	43,904
Other	50,000	524,444	-	574,444
	<u>10,543,115</u>	<u>2,141,516</u>	<u>-</u>	<u>12,684,631</u>
Total Contracted Service Fee				
Board Funds	24,168	-	-	24,168
Depreciation	2,904	-	-	2,904
	<u>2,904</u>	<u>-</u>	<u>-</u>	<u>2,904</u>
Total Expenses	<u>\$ 10,570,187</u>	<u>\$ 2,141,516</u>	<u>\$ -</u>	<u>\$ 12,711,703</u>

See notes to financial statements

BROOKLYN DREAMS CHARTER SCHOOL

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

State aid	\$ 12,049,786
Other state sources	(7,360)
Federal sources	423,347
Private sources	45,415
Payments for services rendered	<u>(12,484,416)</u>
Net Cash Provided by Operating Activities	<u>26,772</u>
Net Change in Cash and Restricted Cash	26,772
Beginning of year	<u>176,680</u>
End of year	<u><u>\$ 203,452</u></u>

RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION TO NET

Change in net assets	\$ 22,930
Depreciation	2,904
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Due from governmental revenue sources	(253,363)
Deferred revenue	29,918
Contracted service fee payable	<u>224,383</u>

NET CASH FROM OPERATING ACTIVITIES \$ 26,772

See notes to financial statements

BROOKLYN DREAMS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

1. NATURE OF OPERATIONS

Brooklyn Dreams Charter School (the "School") is a public charter school as defined by Article 56 of the New York State Education Law which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The School operates under a charter approved by the State University of New York Charter School Institute, which is responsible for oversight of the School's operations. The charter expires June 30, 2023 and is subject to renewal. Management believes the charter will be renewed in the ordinary course of business. The School provides education, at no cost to the parent, to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

The School's primary source of revenue is provided by the State of New York and consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and was funded through payments from July 2020 through May 2021 for the year ended June 30, 2021.

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

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the School from all revenue sources and NHA pays the Board of Trustees an amount equal to the lesser of two percent of state per pupil aid or \$50,000. These funds are property of the School and may be used by the School at the discretion of the board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The financial statements have been prepared in accordance with Section 2851 of the Education Law of the State of New York which requires such statements to be prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

BROOKLYN DREAMS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 statement of financial position to the amounts presented in the statement of cash flows as of June 30, 2021:

Cash	\$	126,506
Restricted cash		<u>76,946</u>
	\$	<u>203,452</u>

Deferred Revenue — Deferred revenue as of June 30, 2021 consists of funds received for services which have not yet been performed.

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

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

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

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

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

- *Net Assets without Donor Restriction* — Net assets which are not subject to donor imposed or governmental stipulations.

BROOKLYN DREAMS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- *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 statement of activities and change in net assets without donor restriction as net assets released from restrictions. The School had no net assets with donor restrictions as of June 30, 2021.

Revenues and contributions are reported as follows:

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

Income Taxes — The School operates as a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School has received notification from the Internal Revenue Service (IRS) that they are considered exempt from Federal income tax under Section 501(c)(3) of the internal revenue code.

Accordingly, no provision for federal income taxes has been made.

Accounting for Uncertainty of 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, 2018.

BROOKLYN DREAMS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

3. LIQUIDITY

The School had \$768,014 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$126,506 and amounts due from governmental revenue sources of \$641,508 at June 30, 2021. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The School has a goal to maintain financial assets, which consist of cash and short-term receivables on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$2,119,000 at June 30, 2021.

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

4. RISK MANAGEMENT

The School is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2021, and claims did not exceed coverage less retained risk deductible amounts in the past fiscal year.

5. CONTINGENCIES

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

BROOKLYN DREAMS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

6. CAPITAL ASSETS

As of and for the year ended June 30, 2021, capital asset activity of the school was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Equipment	\$ 29,040	\$ -	\$ -	\$ 29,040
Less accumulated depreciation — equipment	25,460	2,904	-	28,364
Total capital asset activity, net	<u>\$ 3,580</u>	<u>\$ (2,904)</u>	<u>\$ -</u>	<u>\$ 676</u>

7. OPERATING LEASE

The School has entered into a sublease agreement with NHA for a facility to house the School. The lease term is from July 1, 2020 through June 30, 2021. Annual rental payments required by the lease were \$2,354,748 payable in twelve monthly payments of \$196,229. Building and land rent, and lease for the year ended June 30, 2021 was \$2,619,314. This lease is automatically renewed on a year-to-year basis unless a notice of non-renewal is provided by either the School or NHA.

The School subsequently renewed the sublease with NHA for the period of July 1, 2021 through June 30, 2022 at the same rental rate.

8. 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 year ended June 30, 2021, the School received approximately 93% 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.

9. SUBSEQUENT EVENTS

Events or transactions for the year ended June 30, 2021 have been evaluated through October 29, 2021, the date the financial statements were available to be issued. The financial statements and the notes thereto do not reflect events or transactions after this date.

BROOKLYN DREAMS CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

10. 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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Brooklyn Dreams Charter School

Supplementary Information

June 30, 2021

BROOKLYN DREAMS CHARTER SCHOOL

SCHEDULE OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2021

		Program Services				Supporting Services			Total
		Regular Education	Special Education	Other Education	Total	Fundraising	Management and General	Total	
Personnel Services Costs									
Administrative Staff Personnel	8	\$ 678,298	\$ -	\$ -	\$ 678,298	\$ -	\$ -	\$ -	\$ 678,298
Instructional Personnel	56	3,114,964	927,457	-	4,042,421	-	-	-	4,042,421
Non-Instructional Personnel	1	42,857	-	-	42,857	-	-	-	42,857
Total Personnel Service Costs	<u>65</u>	<u>3,836,119</u>	<u>927,457</u>	<u>-</u>	<u>4,763,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,763,576</u>
Fringe Benefits & Payroll Taxes		735,455	173,816	-	909,271	-	-	-	909,271
Retirement		65,036	20,920	-	85,956	-	-	-	85,956
Legal Service		49,750	-	-	49,750	-	-	-	49,750
Accounting / Audit Services		35,004	-	-	35,004	-	205,417	205,417	240,421
Other Purchased / Professional / Consulting Services		76,361	360,079	-	436,440	-	480,103	480,103	916,543
Building and Land Rent / Lease		2,075,806	543,508	-	2,619,314	-	-	-	2,619,314
Repairs & Maintenance		355,831	93,167	-	448,998	-	41,433	41,433	490,431
Insurance		36,789	9,632	-	46,421	-	-	-	46,421
Utilities		104,119	27,262	-	131,381	-	-	-	131,381
Supplies / Materials		332,350	11	-	332,361	-	-	-	332,361
Equipment / Furnishings		219,347	57,431	-	276,778	-	-	-	276,778
Staff Development		19,763	900	-	20,663	-	63,655	63,655	84,318
Marketing / Recruitment		113,591	-	-	113,591	-	332,706	332,706	446,297
Technology		82,736	21,663	-	104,399	-	401,827	401,827	506,226
Food Service		97,506	-	-	97,506	-	-	-	97,506
Student Services		9,784	-	-	9,784	-	84,117	84,117	93,901
Office Expense		36,090	-	-	36,090	-	7,814	7,814	43,904
Depreciation		2,904	-	-	2,904	-	-	-	2,904
Other		50,000	-	-	50,000	-	524,444	524,444	574,444
Total Expenses		<u>\$ 8,334,341</u>	<u>\$ 2,235,846</u>	<u>\$ -</u>	<u>\$10,570,187</u>	<u>\$ -</u>	<u>\$ 2,141,516</u>	<u>\$ 2,141,516</u>	<u>\$ 12,711,703</u>

Brooklyn Dreams Charter School

Uniform Guidance
Reports and Schedules

June 30, 2021

Brooklyn Dreams Charter School

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Pass-through New York State Education Department:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	211970	\$ -	\$ 12,033
National School Lunch Program	10.555	211960	-	19,487
Total Child Nutrition Cluster			-	<u>31,520</u>
Total U.S. Department of Agriculture			-	<u>31,520</u>
<u>U.S. Department of Education</u>				
Pass-Through the New York State Education Department				
Title I Grants to Local Educational Agencies	84.010	0021-20-4765	-	5,432
Title I Grants to Local Educational Agencies	84.010	0021-21-4765	-	259,089
			-	<u>264,521</u>
English Language Acquisition State Grants	84.365	0293-21-4765	-	38,841
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-21-4765	-	20,184
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-4765	-	197,830
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4765	-	213,326
Total U.S. Department of Education			-	<u>734,702</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 766,222</u>

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

Brooklyn Dreams Charter School

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

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, 2021. 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.

3. Indirect Cost Rate

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

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

Independent Auditors' Report

**Board of Trustees
Brooklyn Dreams Charter School**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brooklyn Dreams Charter School (the "School"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets without donor restriction, 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 29, 2021.

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 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PKF O'Connor Davies, LLP

Harrison, New York
October 29, 2021

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

Independent Auditors' Report

Board of Trustees
Brooklyn Dreams Charter School

Report on Compliance for Each Major Federal Program

We have audited Brooklyn Dreams Charter School'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, 2021. 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, and 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, 2021.

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 29, 2021

Brooklyn Dreams Charter School

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2021.

Section III – Federal Award Findings and Questioned Costs

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

Section IV – Prior Year's Findings

Not applicable. The School was not subject to Uniform Guidance for the year ended June 30, 2020.