

Explore Charter Schools of Brooklyn

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

June 30, 2021 and 2020

Explore Charter Schools of Brooklyn

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Independent Auditors' Report

Board of Trustees
Explore Charter Schools of Brooklyn

Report on the Financial Statements

We have audited the accompanying financial statements of Explore Charter Schools of Brooklyn (the "School"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of activities, and functional expenses by school as of and for the year ended June 30, 2021 on pages 17 through 21 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 22 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 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 28, 2021

Explore Charter Schools of Brooklyn

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS		
Current Assets		
Cash	\$ 10,726,744	\$ 11,789,220
Grants and contracts receivable	2,495,922	944,122
Prepaid expenses and other current assets	651,294	190,946
Total Current Assets	13,873,960	12,924,288
Investments	4,623,346	4,614,741
Property and equipment, net	2,888,149	2,858,813
Restricted cash	300,798	300,749
	\$ 21,686,253	\$ 20,698,591
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,217,858	\$ 645,694
Accrued payroll and payroll taxes	3,475,999	2,555,160
Refundable advances	134,388	-
Due to related party	1,994	151,964
Total Current Liabilities	4,830,239	3,352,818
Paycheck Protection Program loan payable	-	4,901,564
Total Liabilities	4,830,239	8,254,382
Net Assets, Without Donor Restrictions		
Undesignated	13,356,014	8,944,209
Board-designated	3,500,000	3,500,000
Total Net Assets, Without Donor Restrictions	16,856,014	12,444,209
	\$ 21,686,253	\$ 20,698,591

See notes to financial statements

Explore Charter Schools of Brooklyn

Statements of Activities

	Year Ended June 30,	
	2021	2020
OPERATING REVENUE		
State and local per pupil operating revenue		
General education	\$ 33,181,507	\$ 33,770,525
Special education	4,932,977	5,391,534
Federal grants	3,102,919	905,980
Federal E-Rate and IDEA	547,132	490,859
State grants	165,696	115,808
Total Operating Revenue	41,930,231	40,674,706
EXPENSES		
Program Services		
Regular education	24,884,897	23,042,535
Special education	10,494,150	10,564,312
Total Program Services	35,379,047	33,606,847
Supporting Services		
Management and general	7,064,213	6,591,228
Total Expenses	42,443,260	40,198,075
 (Deficit) Surplus from Operations	 (513,029)	 476,631
SUPPORT AND OTHER REVENUE		
Gain on forgiveness of Paycheck		
Protection Program loan	4,901,564	-
Contributions	14,500	55,500
Interest and other income	8,770	100,328
Total Support and Other Revenue	4,924,834	155,828
 Change in Net Assets	 4,411,805	 632,459
NET ASSETS		
Beginning of year	12,444,209	11,811,750
End of year	\$ 16,856,014	\$ 12,444,209

See notes to financial statements

Explore Charter Schools of Brooklyn

Statement of Functional Expenses Year Ended June 30, 2021

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	77	\$ 4,583,275	\$ 2,235,453	\$ 6,818,728	\$ 1,052,701	\$ 7,871,429
Instructional personnel	235	10,541,737	5,095,136	15,636,873	2,405,831	18,042,704
Total Personnel Services Costs	<u>312</u>	15,125,012	7,330,589	22,455,601	3,458,532	25,914,133
Fringe benefits and payroll taxes		3,529,547	1,713,931	5,243,478	807,593	6,051,071
Retirement		146,609	70,745	217,354	33,241	250,595
Management company fees		2,135,693	475,260	2,610,953	1,369,872	3,980,825
Legal services		-	-	-	14,599	14,599
Accounting / audit services		-	-	-	77,974	77,974
Other purchased / professional / consulting services		864,780	208,285	1,073,065	526,859	1,599,924
Repairs and maintenance		11,785	3,208	14,993	2,646	17,639
Insurance		158,863	35,893	194,756	34,369	229,125
Utilities		196,915	45,729	242,644	42,819	285,463
Supplies / materials		554,677	127,450	682,127	-	682,127
Equipment / furnishings		111,140	26,706	137,846	24,326	162,172
Staff development		172,332	39,990	212,322	51,587	263,909
Marketing / recruitment		237,362	55,305	292,667	77,018	369,685
Technology		1,307,070	302,024	1,609,094	283,959	1,893,053
Food service		1,263	200	1,463	-	1,463
Student services		114,774	25,640	140,414	-	140,414
Office expense		141,572	15,730	157,302	157,302	314,604
Depreciation and amortization		13,863	3,103	16,966	88,104	105,070
Other		61,640	14,362	76,002	13,413	89,415
Total Expenses		<u>\$ 24,884,897</u>	<u>\$ 10,494,150</u>	<u>\$ 35,379,047</u>	<u>\$ 7,064,213</u>	<u>\$ 42,443,260</u>

See notes to financial statements

Explore Charter Schools of Brooklyn

Statement of Functional Expenses Year Ended June 30, 2020

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	84	\$ 4,563,143	\$ 2,332,811	\$ 6,895,954	\$ 1,023,165	\$ 7,919,119
Instructional personnel	234	9,595,063	4,888,542	14,483,605	2,148,889	16,632,494
Total Personnel Services Costs	<u>318</u>	<u>14,158,206</u>	<u>7,221,353</u>	<u>21,379,559</u>	<u>3,172,054</u>	<u>24,551,613</u>
Fringe benefits and payroll taxes		3,383,729	1,726,404	5,110,133	758,401	5,868,534
Retirement		154,196	77,025	231,221	34,335	265,556
Management company fees		2,137,539	517,095	2,654,634	1,392,790	4,047,424
Legal services		-	-	-	6,203	6,203
Accounting / audit services		-	-	-	120,536	120,536
Other purchased / professional / consulting services		492,728	374,103	866,831	365,102	1,231,933
Repairs and maintenance		15,701	4,354	20,055	3,538	23,593
Insurance		135,985	33,141	169,126	29,846	198,972
Utilities		197,615	48,769	246,384	43,482	289,866
Supplies / materials		524,797	131,452	656,249	-	656,249
Equipment / furnishings		37,554	9,437	46,991	8,293	55,284
Staff development		215,152	52,762	267,914	44,090	312,004
Marketing / recruitment		180,310	43,680	223,990	122,245	346,235
Technology		857,993	212,612	1,070,605	188,930	1,259,535
Food service		11,738	2,944	14,682	-	14,682
Student services		232,614	57,396	290,010	-	290,010
Office expense		177,822	19,758	197,580	197,581	395,161
Depreciation and amortization		10,511	2,383	12,894	77,671	90,565
Other		<u>118,345</u>	<u>29,644</u>	<u>147,989</u>	<u>26,131</u>	<u>174,120</u>
Total Expenses		<u>\$ 23,042,535</u>	<u>\$ 10,564,312</u>	<u>\$ 33,606,847</u>	<u>\$ 6,591,228</u>	<u>\$ 40,198,075</u>

See notes to financial statements

Explore Charter Schools of Brooklyn

Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,411,805	\$ 632,459
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	105,070	90,565
Gain on forgiveness of Paycheck Protection Program loan	(4,901,564)	-
Changes in operating assets and liabilities		
Grants and contracts receivable	(1,551,800)	(731,950)
Prepaid expenses and other current assets	(460,348)	572,969
Accounts payable and accrued expenses	572,164	(122,184)
Accrued payroll and payroll taxes	920,839	(139,131)
Refundable advances	134,388	(48,219)
Due to related party	(149,970)	(183,431)
Net Cash from Operating Activities	(919,416)	71,078
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(134,406)	(517,814)
Purchase of investments	(2,758,605)	(3,348,417)
Proceeds from maturity of investments	2,750,000	1,250,000
Net Cash from Investing Activities	(143,011)	(2,616,231)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from Paycheck Protection Program loan	-	4,901,564
Net Change in Cash and Restricted Cash	(1,062,427)	2,356,411
CASH AND RESTRICTED CASH		
Beginning of year	12,089,969	9,733,558
End of year	\$ 11,027,542	\$ 12,089,969

See notes to financial statements

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2021 and 2020

1. Organization and Tax Status

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

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

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

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

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

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

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

The School provided education to approximately 2,055 students in grades kindergarten through eighth grade during the 2020-2021 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, 2021 and 2020

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, 2021 and 2020.

Fair Value Measurements

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

Investment Valuation

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

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2021 and 2020

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 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 as of June 30:

	2021	2020
Cash	\$ 10,726,744	\$ 11,789,220
Restricted cash	300,798	300,749
	<u>\$ 11,027,542</u>	<u>\$ 12,089,969</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 which is thirty-three and a half years. 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, 2021 and 2020.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2021 and 2020

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 obtaining new students. Accordingly, all costs in marketing and recruitment are allocated to program and management and general expenditures and expensed as incurred. For the years ended June 30, 2021 and 2020, marketing and recruiting expenses totaled \$369,685 and \$346,235.

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, gain on forgiveness of Paycheck Protection Program loan, 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 by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2021 and 2020

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, 2018.

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 28, 2021.

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 as of June 30, 2021 and 2020 consist of the following:

	2021		
	Level 1	Level 2	Total
Money market funds	\$ 2,850,788	\$ -	\$ 2,850,788
Certificates of deposit	-	1,772,558	1,772,558
	<u>\$ 2,850,788</u>	<u>\$ 1,772,558</u>	<u>\$ 4,623,346</u>

	2020		
	Level 1	Level 2	Total
Money market funds	\$ 2,560,128	\$ -	\$ 2,560,128
Certificates of deposit	-	2,054,613	2,054,613
	<u>\$ 2,560,128</u>	<u>\$ 2,054,613</u>	<u>\$ 4,614,741</u>

Interest income from investments reported in the statements of activities within interest and other income for the years ended June 30, 2021 and 2020 was \$8,770 and \$98,448.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2021 and 2020

5. Related Party Transactions (not disclosed elsewhere)

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

The School entered into a management agreement with ESI through June 30, 2016 to provide the School with educational management services and designs. Pursuant to the agreement, ESI is to select and implement educational programs, coaching and professional development to school-based leadership, manage the School’s business administration and support the Board of Trustees in all governance issues. As compensation to ESI for these services, the School paid an annual fee of 12% of the School’s general education per pupil operating revenue. Management fee expense for the years ended June 30, 2021 and 2020 was \$3,980,825 and \$4,047,424.

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, 2021 and 2020 was \$1,614,919 and \$1,466,241. The net balance due to ESI at June 30, 2021 and 2020 was \$1,994 and \$151,964.

6. Property and Equipment

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

	2021	2020
Computers and equipment	\$ 54,122	\$ 88,777
Furniture and fixtures	44,515	46,381
Leasehold improvements	<u>3,245,122</u>	<u>3,110,717</u>
	3,343,759	3,245,875
Accumulated depreciation and amortization	<u>(455,610)</u>	<u>(387,062)</u>
	<u>\$ 2,888,149</u>	<u>\$ 2,858,813</u>

Assets with a cost basis and accumulated depreciation of \$36,522 were disposed of during the year ended June 30, 2021.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2021 and 2020

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>2021</u>	<u>2020</u>
Cash	\$ 10,726,744	\$ 11,789,220
Grants and contracts receivable	<u>2,495,922</u>	<u>944,122</u>
	13,222,666	12,733,342
Less board designated net assets	<u>(3,500,000)</u>	<u>(3,500,000)</u>
	<u>\$ 9,722,666</u>	<u>\$ 9,233,342</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, 2021 and 2020 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 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, 2021 and 2020. The total employer contribution did not exceed 5% of the employees' salary. Retirement expense incurred by the School for the years ended June 30, 2021 and 2020 amounted to \$250,595 and \$265,556.

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, 2021 and 2020, approximately \$10,777,000 and \$11,840,000 of cash was maintained with an institution in excess of FDIC limits.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020, the School received approximately 81% and 96% of its revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

11. School Facilities

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

12. Paycheck Protection Program Loan Payable

On June 5, 2020, the School qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified PPP lender, for an aggregate principal amount of \$4,901,564 (the "PPP Loan"). The PPP Loan bore interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, had a term of two years, and was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the PPP upon the School's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the School. The School applied for full forgiveness of the PPP Loan with respect to these covered expenses.

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

On June 19, 2021, the PPP Loan was forgiven in full by the SBA. The loan forgiveness of \$4,901,564 is included on the accompanying statements of activities under gain of forgiveness of Paycheck Protection Program loan.

Explore Charter Schools of Brooklyn

Notes to Financial Statements
June 30, 2021 and 2020

13. Contingency

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

14. Risks and Uncertainties

The School's operations and financial performance may be affected by the recent COVID-19 outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the School may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in state and local per pupil operating revenue, shortfalls and variations in enrollment, and operational and other changes that could increase expenses. The outbreak may adversely affect the School's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes the School is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

Explore Charter Schools of Brooklyn

Supplementary Information

June 30, 2021

Explore Charter Schools of Brooklyn

Schedule of Activities by School Year Ended June 30, 2021

	<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	\$ 8,919,146	\$ 7,744,440	\$ 9,169,289	\$ 7,348,632	\$ 33,181,507
Special education	943,703	976,951	1,386,109	1,626,214	4,932,977
Federal grants	713,608	735,390	938,179	715,742	3,102,919
Federal E-Rate and IDEA	108,258	107,752	172,635	158,487	547,132
State grants	43,686	38,046	44,014	39,950	165,696
Total Operating Revenue	<u>10,728,401</u>	<u>9,602,579</u>	<u>11,710,226</u>	<u>9,889,025</u>	<u>41,930,231</u>
EXPENSES					
Program Services					
Regular education	6,455,043	6,162,068	6,636,711	5,631,075	24,884,897
Special education	2,016,784	2,298,519	3,037,287	3,141,560	10,494,150
Total Program Services	<u>8,471,827</u>	<u>8,460,587</u>	<u>9,673,998</u>	<u>8,772,635</u>	<u>35,379,047</u>
Supporting Services					
Management and general	1,773,824	1,693,801	1,859,220	1,737,368	7,064,213
Total Expenses	<u>10,245,651</u>	<u>10,154,388</u>	<u>11,533,218</u>	<u>10,510,003</u>	<u>42,443,260</u>
Surplus (Deficit) from Operations	<u>482,750</u>	<u>(551,809)</u>	<u>177,008</u>	<u>(620,978)</u>	<u>(513,029)</u>
SUPPORT AND OTHER REVENUE					
Gain on forgiveness of Paycheck					
Protection Program loan	1,225,391	1,225,391	1,225,391	1,225,391	4,901,564
Contributions	3,500	3,500	4,000	3,500	14,500
Interest and other income	115	10	8,620	25	8,770
Total Support and Other Revenue	<u>1,229,006</u>	<u>1,228,901</u>	<u>1,238,011</u>	<u>1,228,916</u>	<u>4,924,834</u>
Change in Net Assets	1,711,756	677,092	1,415,019	607,938	4,411,805
NET ASSETS					
Beginning of year	<u>4,498,390</u>	<u>4,479,951</u>	<u>2,614,413</u>	<u>851,455</u>	<u>12,444,209</u>
End of year	<u>\$ 6,210,146</u>	<u>\$ 5,157,043</u>	<u>\$ 4,029,432</u>	<u>\$ 1,459,393</u>	<u>\$ 16,856,014</u>

Explore Charter School

Schedule of Functional Expenses - Explore Year Ended June 30, 2021

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	20	\$ 1,184,810	\$ 433,783	\$ 1,618,593	\$ 268,134	\$ 1,886,727
Instructional personnel	56	2,752,870	1,011,907	3,764,777	623,441	4,388,218
Total Personnel Services Costs	<u>76</u>	<u>3,937,680</u>	<u>1,445,690</u>	<u>5,383,370</u>	<u>891,575</u>	<u>6,274,945</u>
Fringe benefits and payroll taxes		868,014	317,798	1,185,812	196,440	1,382,252
Retirement		31,485	11,527	43,012	7,125	50,137
Management company fees		612,173	89,221	701,394	367,996	1,069,390
Legal services		-	-	-	3,150	3,150
Accounting / audit services		-	-	-	18,838	18,838
Other purchased / professional / consulting services		231,300	40,788	272,088	119,287	391,375
Repairs and maintenance		557	81	638	113	751
Insurance		43,083	6,279	49,362	8,711	58,073
Utilities		48,892	7,126	56,018	9,885	65,903
Supplies / materials		144,004	20,988	164,992	-	164,992
Equipment / furnishings		19,212	2,800	22,012	3,885	25,897
Staff development		45,581	6,643	52,224	8,379	60,603
Marketing / recruitment		57,228	8,341	65,569	9,481	75,050
Technology		328,131	47,823	375,954	66,345	442,299
Food service		1,179	172	1,351	-	1,351
Student services		34,310	5,001	39,311	-	39,311
Office expense		31,846	3,538	35,384	35,385	70,769
Depreciation and amortization		3,674	535	4,209	23,853	28,062
Other		16,694	2,433	19,127	3,376	22,503
Total Expenses		<u>\$ 6,455,043</u>	<u>\$ 2,016,784</u>	<u>\$ 8,471,827</u>	<u>\$ 1,773,824</u>	<u>\$ 10,245,651</u>

See independent auditors' report

Explore Empower Charter School

Schedule of Functional Expenses - Empower Year Ended June 30, 2021

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	17	\$ 1,084,242	\$ 465,859	\$ 1,550,101	\$ 241,634	\$ 1,791,735
Instructional personnel	57	2,629,896	1,129,970	3,759,866	586,098	4,345,964
Total Personnel Services Costs	<u>74</u>	<u>3,714,138</u>	<u>1,595,829</u>	<u>5,309,967</u>	<u>827,732</u>	<u>6,137,699</u>
Fringe benefits and payroll taxes		915,677	393,433	1,309,110	204,068	1,513,178
Retirement		43,864	18,847	62,711	9,776	72,487
Management company fees		508,014	101,953	609,967	320,027	929,994
Legal services		-	-	-	1,950	1,950
Accounting / audit services		-	-	-	18,838	18,838
Other purchased / professional / consulting services		252,734	46,099	298,833	140,242	439,075
Repairs and maintenance		2,835	569	3,404	601	4,005
Insurance		38,014	7,629	45,643	8,055	53,698
Utilities		42,468	8,523	50,991	8,998	59,989
Supplies / materials		129,464	25,982	155,446	-	155,446
Equipment / furnishings		23,007	4,617	27,624	4,875	32,499
Staff development		32,899	6,602	39,501	9,349	48,850
Marketing / recruitment		61,312	12,305	73,617	7,981	81,598
Technology		298,400	59,885	358,285	63,227	421,512
Food service		-	-	-	-	-
Student services		40,053	8,038	48,091	-	48,091
Office expense		40,975	4,553	45,528	45,527	91,055
Depreciation and amortization		3,071	616	3,687	19,348	23,035
Other		15,143	3,039	18,182	3,207	21,389
Total Expenses		<u>\$ 6,162,068</u>	<u>\$ 2,298,519</u>	<u>\$ 8,460,587</u>	<u>\$ 1,693,801</u>	<u>\$ 10,154,388</u>

See independent auditors' report

Explore Excel Charter School

Schedule of Functional Expenses - Excel
Year Ended June 30, 2021

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	19	\$ 1,168,270	\$ 613,160	\$ 1,781,430	\$ 243,642	\$ 2,025,072
Instructional personnel	65	2,869,125	1,509,256	4,378,381	598,240	4,976,621
Total Personnel Services Costs	<u>84</u>	<u>4,037,395</u>	<u>2,122,416</u>	<u>6,159,811</u>	<u>841,882</u>	<u>7,001,693</u>
Fringe benefits and payroll taxes		928,997	487,579	1,416,576	193,742	1,610,318
Retirement		43,173	22,659	65,832	9,004	74,836
Management company fees		583,848	138,392	722,240	378,933	1,101,173
Legal services		-	-	-	3,063	3,063
Accounting / audit services		-	-	-	21,460	21,460
Other purchased / professional / consulting services		243,084	80,948	324,032	197,962	521,994
Repairs and maintenance		2,735	648	3,383	597	3,980
Insurance		42,427	10,057	52,484	9,262	61,746
Utilities		55,202	13,085	68,287	12,051	80,338
Supplies / materials		143,639	34,047	177,686	-	177,686
Equipment / furnishings		39,538	9,372	48,910	8,631	57,541
Staff development		49,084	11,635	60,719	11,615	72,334
Marketing / recruitment		54,203	12,848	67,051	21,481	88,532
Technology		352,096	83,459	435,555	76,863	512,418
Food service		-	-	-	-	-
Student services		10,335	2,450	12,785	-	12,785
Office expense		34,838	3,871	38,709	38,709	77,418
Depreciation and amortization		4,483	1,063	5,546	31,427	36,973
Other		11,634	2,758	14,392	2,538	16,930
Total Expenses		<u>\$ 6,636,711</u>	<u>\$ 3,037,287</u>	<u>\$ 9,673,998</u>	<u>\$ 1,859,220</u>	<u>\$ 11,533,218</u>

See independent auditors' report

Explore Exceed Charter School

Schedule of Functional Expenses - Exceed Year Ended June 30, 2021

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	21	\$ 1,145,953	\$ 722,651	\$ 1,868,604	\$ 299,295	\$ 2,167,899
Instructional personnel	57	2,289,846	1,444,003	3,733,849	598,052	4,331,901
Total Personnel Services Costs	<u>78</u>	<u>3,435,799</u>	<u>2,166,654</u>	<u>5,602,453</u>	<u>897,347</u>	<u>6,499,800</u>
Fringe benefits and payroll taxes		816,859	515,121	1,331,980	213,344	1,545,324
Retirement		28,087	17,712	45,799	7,336	53,135
Management company fees		431,658	145,694	577,352	302,916	880,268
Legal services		-	-	-	6,436	6,436
Accounting / audit services		-	-	-	18,838	18,838
Other purchased / professional / consulting services		137,662	40,450	178,112	69,368	247,480
Repairs and maintenance		5,658	1,910	7,568	1,335	8,903
Insurance		35,339	11,928	47,267	8,341	55,608
Utilities		50,353	16,995	67,348	11,885	79,233
Supplies / materials		137,570	46,433	184,003	-	184,003
Equipment / furnishings		29,383	9,917	39,300	6,935	46,235
Staff development		44,768	15,110	59,878	22,244	82,122
Marketing / recruitment		64,619	21,811	86,430	38,075	124,505
Technology		328,443	110,857	439,300	77,524	516,824
Food service		84	28	112	-	112
Student services		30,076	10,151	40,227	-	40,227
Office expense		33,913	3,768	37,681	37,681	75,362
Depreciation and amortization		2,635	889	3,524	13,476	17,000
Other		18,169	6,132	24,301	4,287	28,588
Total Expenses		<u>\$ 5,631,075</u>	<u>\$ 3,141,560</u>	<u>\$ 8,772,635</u>	<u>\$ 1,737,368</u>	<u>\$ 10,510,003</u>

See independent auditors' report

Explore Charter Schools of Brooklyn

Uniform Guidance
Reports and Schedules

June 30, 2021

Explore Charter Schools of Brooklyn

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 Education</u>				
Pass-through the New York State Education Department				
Title I Grants to Local Educational Agencies	84.010	0021-21-4085	\$ -	\$ 211,988
Title I Grants to Local Educational Agencies	84.010	0021-21-4575	-	188,582
Title I Grants to Local Educational Agencies	84.010	0021-21-4845	-	215,996
Title I Grants to Local Educational Agencies	84.010	0021-21-4275	-	190,124
			<u>-</u>	<u>806,690</u>
English Language Acquisition State Grants	84.365	0293-21-4845	-	22,907
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-21-4085	-	23,597
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-21-4575	-	20,657
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-21-4845	-	24,294
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-21-4275	-	21,606
			<u>-</u>	<u>90,154</u>
Student Support and Academic Enrichment Program	84.424	0204-21-4085	-	16,289
Student Support and Academic Enrichment Program	84.424	0204-21-4575	-	15,092
Student Support and Academic Enrichment Program	84.424	0204-21-4845	-	15,105
Student Support and Academic Enrichment Program	84.424	0204-21-4275	-	14,601
			<u>-</u>	<u>61,087</u>
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-4085	-	173,937
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-4575	-	172,304
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-4845	-	172,171
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-4275	-	162,938
			<u>-</u>	<u>681,350</u>
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4085	-	103,109
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4575	-	118,202
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4845	-	174,769
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4275	-	175,192
			<u>-</u>	<u>571,272</u>
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4085	-	184,688
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4575	-	220,553
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4845	-	312,936
Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4275	-	151,282
			<u>-</u>	<u>869,459</u>
Total U.S. Department of Education			<u>-</u>	<u>3,102,919</u>
Total Expenditures of Federal Awards			\$ -	\$ 3,102,919

Explore Charter Schools of Brooklyn

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. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

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

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Explore Charter Schools of Brooklyn (the "School"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expense and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 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 28, 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
Explore Charter Schools of Brooklyn

Report on Compliance for Each Major Federal Program

We have audited Explore Charter Schools of Brooklyn's (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 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 28, 2021

Explore Charter Schools of Brooklyn

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:

CFDA Number(s)

84.425

Name of Federal Program or Cluster

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?

X yes _____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 which were reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV – Prior Year's Findings

There were no prior year audit findings.

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, 2021, 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 York
October 28, 2021