

# **Explore Charter Schools of Brooklyn**

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

June 30, 2024 and 2023

## Explore Charter Schools of Brooklyn

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

June 30, 2024 and 2023

<b>TABLE OF CONTENTS</b>	<b>Page</b>
Independent Auditors' Report	
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Activities by School	17
Schedule of Functional Expenses – Explore	18
Schedule of Functional Expenses – Empower	19
Schedule of Functional Expenses – Excel	20
Schedule of Functional Expenses – Exceed	21
<b>UNIFORM GUIDANCE SCHEDULES AND REPORTS</b>	
Schedule of Expenditures of Federal Awards	22
Notes to Schedule of Expenditures of Federal Awards	24
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	
Schedule of Findings and Questioned Costs	30

## **Independent Auditors' Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Explore Charter Schools of Brooklyn (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Explore Charter Schools of Brooklyn as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and functional expenses by school for the year ended June 30, 2024 on pages 17 through 21 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on pages 22 and 23 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2024, on our consideration of Explore Charter Schools of Brooklyn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Explore Charter Schools of Brooklyn's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Explore Charter Schools of Brooklyn's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 7, 2024

## Explore Charter Schools of Brooklyn

### Statements of Financial Position

	June 30,	
	2024	2023
<b>ASSETS</b>		
Current Assets		
Cash	\$ 2,851,105	\$ 4,880,216
Grants and contracts receivable	1,593,735	1,767,242
Prepaid expenses and other current assets	49,001	146,205
Total Current Assets	4,493,841	6,793,663
Investments	4,724,979	4,498,660
Property and equipment, net	2,869,097	3,561,673
Restricted cash	230,954	300,907
	<b>\$ 12,318,871</b>	<b>\$ 15,154,903</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,144,429	\$ 1,226,594
Accrued payroll and payroll taxes	3,268,794	3,016,012
Refundable advances	32,642	60,678
Due to related party	979,534	1,276,267
Total Current Liabilities	5,425,399	5,579,551
Net Assets, Without Donor Restrictions		
Undesignated	3,393,472	6,075,352
Board-designated	3,500,000	3,500,000
Total Net Assets, Without Donor Restrictions	6,893,472	9,575,352
	<b>\$ 12,318,871</b>	<b>\$ 15,154,903</b>

See notes to financial statements

## Explore Charter Schools of Brooklyn

### Statements of Activities

	Year Ended June 30,	
	2024	2023
<b>OPERATING REVENUE</b>		
State and local per pupil operating revenue		
General education	\$ 34,578,016	\$ 33,292,638
Special education	5,037,516	5,085,748
Federal grants	2,807,485	3,115,448
Federal E-Rate and IDEA	741,463	657,999
State grants	152,109	154,974
Total Operating Revenue	43,316,589	42,306,807
<b>EXPENSES</b>		
Program Services		
Regular education	26,222,291	27,900,500
Special education	11,537,233	11,667,501
Total Program Services	37,759,524	39,568,001
Supporting Services		
Management and general	8,194,507	9,090,394
Total Expenses	45,954,031	48,658,395
Deficit from Operations	(2,637,442)	(6,351,588)
<b>SUPPORT, OTHER REVENUE AND LOSSES</b>		
Contributions	128,550	350,013
Interest and other income	167,967	30,881
Unrealized gain on investments	182,033	10,749
Loss on disposal of property and equipment	(615,579)	-
Forgiveness of debt - related party	269,844	-
Write-off of uncollectible receivables	(177,253)	-
Total Support, Other Revenue and Losses	(44,438)	391,643
Change in Net Assets	(2,681,880)	(5,959,945)
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>		
Beginning of year	9,575,352	15,535,297
End of year	\$ 6,893,472	\$ 9,575,352

See notes to financial statements

## Explore Charter Schools of Brooklyn

### Statement of Functional Expenses Year Ended June 30, 2024

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	68	\$ 5,200,814	\$ 2,629,389	\$ 7,830,203	\$ 1,369,145	\$ 9,199,348
Instructional personnel	209	10,252,752	5,219,685	15,472,437	2,667,931	18,140,368
Total Personnel Services Costs	<u>277</u>	15,453,566	7,849,074	23,302,640	4,037,076	27,339,716
Fringe benefits and payroll taxes		3,815,768	1,921,470	5,737,238	995,186	6,732,424
Retirement		143,172	57,789	200,961	34,815	235,776
Management company fees		2,570,097	626,902	3,196,999	1,677,349	4,874,348
Legal services		-	-	-	41,200	41,200
Accounting / audit services		-	-	-	86,158	86,158
Other purchased / professional / consulting services		636,719	170,568	807,287	489,609	1,296,896
Repairs and maintenance		31,759	8,920	40,679	7,179	47,858
Insurance		211,692	52,684	264,376	46,655	311,031
Utilities		253,723	73,938	327,661	57,823	385,484
Supplies / materials		645,931	167,351	813,282	-	813,282
Equipment / furnishings		74,641	18,262	92,903	16,395	109,298
Staff development		368,501	95,598	464,099	92,380	556,479
Marketing / recruitment		261,492	66,187	327,679	47,846	375,525
Technology		822,195	211,997	1,034,192	182,505	1,216,697
Food service		3,076	849	3,925	-	3,925
Student services		563,792	152,732	716,524	-	716,524
Office expense		223,959	24,884	248,843	248,844	497,687
Depreciation and amortization		26,163	4,101	30,264	107,021	137,285
Other		116,045	33,927	149,972	26,466	176,438
 Total Expenses		<u>\$ 26,222,291</u>	<u>\$ 11,537,233</u>	<u>\$ 37,759,524</u>	<u>\$ 8,194,507</u>	<u>\$ 45,954,031</u>

See notes to financial statements

## Explore Charter Schools of Brooklyn

### Statement of Functional Expenses Year Ended June 30, 2023

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

See notes to financial statements

## Explore Charter Schools of Brooklyn

### Statements of Cash Flows

	Year Ended June 30,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,681,880)	\$ (5,959,945)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	137,285	121,720
Unrealized gain on investments	(182,033)	(10,749)
Realized gain on investments	(55)	-
Loss on disposal of property and equipment	615,579	-
Forgiveness of debt - related party	(269,844)	-
Changes in operating assets and liabilities		
Grants and contracts receivable	173,507	98,345
Prepaid expenses and other current assets	97,204	1,345,109
Accounts payable and accrued expenses	(82,165)	(366,306)
Accrued payroll and payroll taxes	252,782	211,982
Refundable advances	(28,036)	(134,860)
Due to related party	(26,889)	926,500
Net Cash from Operating Activities	(1,994,545)	(3,768,204)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(60,288)	(537,585)
Purchase of investments	(1,544,231)	(900,000)
Proceeds from maturity of investments	1,500,000	869,273
Net Cash from Investing Activities	(104,519)	(568,312)
 Net Change in Cash and Restricted Cash	(2,099,064)	(4,336,516)
 <b>CASH AND RESTRICTED CASH</b>		
Beginning of year	5,181,123	9,517,639
End of year	\$ 3,082,059	\$ 5,181,123

See notes to financial statements

## Explore Charter Schools of Brooklyn

Notes to Financial Statements  
June 30, 2024 and 2023

### 1. Organization and Tax Status

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

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

Explore Charter School (“Explore”) - Explore was granted a provisional charter on June 12, 2001, valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York (“Board of Regents”). Explore obtained a renewal to its charter expiring on July 31, 2029.

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

Explore Excel Charter School (“Excel”) - Excel was granted a provisional charter on December 14, 2010, valid for a term of five years and renewable upon expiration by the Board of Regents. Excel obtained a renewal to its charter expiring on July 31, 2029.

Explore Exceed Charter School (“Exceed”) - Exceed was granted a provisional charter on September 13, 2011, valid for a term of five years and renewable upon expiration by the Board of Regents. Exceed obtained a renewal to its charter expiring on July 31, 2025. As of June 30, 2024, the board of trustees voted to close Exceed.

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

The School provided education to approximately 1,886 students in grades kindergarten through eighth grade during the 2023-2024 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, 2024 and 2023

### 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, 2024 and 2023.

#### ***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, US Treasury notes and money market funds are stated at fair value.

## Explore Charter Schools of Brooklyn

Notes to Financial Statements  
June 30, 2024 and 2023

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

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

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

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

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

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

	2024	2023
Cash	\$ 2,851,105	\$ 4,880,216
Restricted cash	230,954	300,907
	<u>\$ 3,082,059</u>	<u>\$ 5,181,123</u>

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

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$5,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset. Purchased property and equipment are recorded at cost at the date of acquisition. Maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Furniture and fixtures	5 years
Computers and equipment	3 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2024 and 2023.

## Explore Charter Schools of Brooklyn

Notes to Financial Statements  
June 30, 2024 and 2023

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

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

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

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

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

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions support if they are received with donor stipulations. Contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

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

The School uses marketing and recruitment specifically aimed at hiring staff and enrolling new students. Accordingly, all costs in marketing and recruitment are allocated to program and management and general expenditures and expensed as incurred. For the years ended June 30, 2024 and 2023, marketing and recruiting expenses totaled \$375,525 and \$485,975.

#### ***Measure of Operations***

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

#### ***Functional Expense Allocation***

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses such as personnel service costs, fringe benefits and payroll taxes, management company fees, other purchased, professional, consulting services, supplies and materials, and technology have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

## Explore Charter Schools of Brooklyn

Notes to Financial Statements  
June 30, 2024 and 2023

### 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, 2021.

#### *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 7, 2024.

### 3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state, city entitlements and grants. The School expects to collect these receivables within one year. Management has assessed the need for an allowance and has determined that such an allowance is not necessary.

### 4. Fair Value of Investments

The School's investments at June 30, 2024 and 2023 consist of the following:

	2024		
	Level 1	Level 2	Total
Certificates of deposit	\$ -	\$ 2,341,073	\$ 2,341,073
US treasury notes	744,017	-	744,017
	<u>\$ 744,017</u>	<u>\$ 2,341,073</u>	3,085,090
Cash			1,639,889
			<u>\$ 4,724,979</u>

  

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

Interest income from investments reported in the statements of activities within interest and other income for the years ended June 30, 2024 and 2023 was \$44,324 and \$30,881.

## Explore Charter Schools of Brooklyn

Notes to Financial Statements  
June 30, 2024 and 2023

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

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

The School entered into a management agreement with ESI through June 30, 2016, which renews yearly to provide the School with educational management services and designs. Pursuant to the agreement, ESI is to select and implement educational programs, coaching and professional development to school-based leadership, manage the School’s business administration and support the Board of Trustees in all governance issues. As compensation to ESI for these services, the School paid an annual fee of 12% of the School’s general education per pupil operating revenue. Management fee expense for the years ended June 30, 2024 and 2023 was \$4,874,348 and \$4,710,523.

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, 2024 and 2023 was \$1,088,883 and \$2,385,545. The net balance due to ESI at June 30, 2024 and 2023 was \$979,534 and \$1,276,267.

The ESI Board of Trustees voted to forgive half of the balance owed by Exceed at June 30, 2024. The School recorded a forgiveness of debt in the amount of \$269,844, included in other income in the statements of activities.

### 6. Property and Equipment

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

	2024	2023
Computers and equipment	\$ 41,450	\$ 41,450
Furniture and fixtures	44,515	44,515
Leasehold improvements	3,442,161	4,106,022
	3,528,126	4,191,987
Accumulated depreciation and amortization	(659,029)	(630,314)
	<u>\$ 2,869,097</u>	<u>\$ 3,561,673</u>

Leasehold improvements with a cost basis of \$724,149 and accumulated depreciation of \$108,570 were disposed of during the year ended June 30, 2024, with a loss on disposal of property and equipment in the amount of \$615,579. There were no dispositions during the year ended June 30, 2023.

## Explore Charter Schools of Brooklyn

Notes to Financial Statements  
June 30, 2024 and 2023

### 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:

	2024	2023
Cash	\$ 2,851,105	\$ 4,880,216
Grants and contracts receivable	1,593,735	1,767,242
	4,444,840	6,647,458
Board designated net assets	(3,500,000)	(3,500,000)
	<u>\$ 944,840</u>	<u>\$ 3,147,458</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, 2024 and 2023, 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 cash, US treasury notes, certificates of deposit and money market funds to cover any temporary shortfall in funding. The School will continue to rely on funding received from The New York City Department of Education to cover its future operating costs (see Note 10).

### 8. Employee Benefit Plan

The School maintains a defined contribution 403(b) plan covering all eligible employees. Under this plan, employer contributions are discretionary and are based on a percentage of employees' salaries as determined by the School's Board of Trustees. The School matched 50% of the employees' elective contributions not to exceed 10% of the employees' salary for the years ended June 30, 2024 and 2023. The total employer contribution did not exceed 5% of the employees' salary. Retirement expense incurred by the School for the years ended June 30, 2024 and 2023 amounted to \$235,774 and \$328,649.

### 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, 2024 and 2023, approximately \$2,832,000 and \$4,931,000 was maintained with an institution in excess of FDIC limits.

## Explore Charter Schools of Brooklyn

Notes to Financial Statements  
June 30, 2024 and 2023

### 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, 2024 and 2023, the School received approximately 92% and 90% of its revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

### 11. School Facilities

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

### 12. Contingency

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

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# **Explore Charter Schools of Brooklyn**

Supplementary Information

June 30, 2024

## Explore Charter Schools of Brooklyn

### Schedule of Activities by School Year Ended June 30, 2024

	Explore	Empower	Excel	Exceed	Total
<b>OPERATING REVENUE</b>					
State and local per pupil operating revenue					
General education	\$ 9,629,251	\$ 8,035,249	\$ 10,385,135	\$ 6,528,381	\$ 34,578,016
Special education	984,009	1,403,812	1,078,153	1,571,542	5,037,516
Federal grants	637,809	762,451	856,108	551,117	2,807,485
Federal E-Rate and IDEA	149,572	164,747	184,700	242,444	741,463
State grants	41,248	34,168	42,594	34,099	152,109
Total Operating Revenue	11,441,889	10,400,427	12,546,690	8,927,583	43,316,589
<b>EXPENSES</b>					
Program Services					
Regular education	6,885,244	6,205,219	7,788,017	5,343,811	26,222,291
Special education	2,188,954	2,665,182	2,577,813	4,105,284	11,537,233
Total Program Services	9,074,198	8,870,401	10,365,830	9,449,095	37,759,524
Supporting Services					
Management and general	2,106,663	2,031,590	2,138,590	1,917,664	8,194,507
Total Expenses	11,180,861	10,901,991	12,504,420	11,366,759	45,954,031
Surplus (Deficit) from Operations	261,028	(501,564)	42,270	(2,439,176)	(2,637,442)
<b>SUPPORT, OTHER REVENUE AND LOSSES</b>					
Contributions	32,112	32,112	32,214	32,112	128,550
Interest and other income	61	123,575	44,321	10	167,967
Unrealized gain on investments	-	-	182,033	-	182,033
Loss on disposal of property and equipment	-	-	-	(615,579)	(615,579)
Forgiveness of debt - related party	-	-	-	269,844	269,844
Write-off of uncollectible receivables	(31,573)	(25,948)	(97,300)	(22,432)	(177,253)
Total Support, Other Revenue and Losses	600	129,739	161,268	(336,045)	(44,438)
Change in Net Assets	261,628	(371,825)	203,538	(2,775,221)	(2,681,880)
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>					
Beginning of year	6,657,975	2,587,951	2,343,689	(2,014,263)	9,575,352
Transfer of assets due to Exceed Charter closure	(2,751,452)	(1,069,488)	(968,544)	4,789,484	-
End of year	\$ 4,168,151	\$ 1,146,638	\$ 1,578,683	\$ -	\$ 6,893,472

See independent auditors' report

## Explore Charter School

### Schedule of Functional Expenses - Explore Year Ended June 30, 2024

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	19	\$ 1,494,002	\$ 550,038	\$ 2,044,040	\$ 388,535	\$ 2,432,575
Instructional personnel	52	2,586,595	952,291	3,538,886	672,678	4,211,564
Total Personnel Services Costs	<u>71</u>	4,080,597	1,502,329	5,582,926	1,061,213	6,644,139
Fringe benefits and payroll taxes		1,016,806	374,351	1,391,157	264,434	1,655,591
Retirement		51,753	19,053	70,806	13,459	84,265
Management company fees		733,051	121,566	854,617	448,386	1,303,003
Legal services		-	-	-	5,264	5,264
Accounting / audit services		-	-	-	21,704	21,704
Other purchased / professional / consulting services		161,342	35,483	196,825	101,375	298,200
Repairs and maintenance		10,564	1,752	12,316	2,173	14,489
Insurance		59,342	9,841	69,183	12,209	81,392
Utilities		41,212	6,834	48,046	8,479	56,525
Supplies / materials		176,772	29,315	206,087	-	206,087
Equipment / furnishings		22,956	3,807	26,763	4,723	31,486
Staff development		88,853	14,735	103,588	18,824	122,412
Marketing / recruitment		68,519	11,363	79,882	5,530	85,412
Technology		176,169	29,215	205,384	36,244	241,628
Food service		1,069	177	1,246	-	1,246
Student services		92,260	15,300	107,560	-	107,560
Office expense		62,317	6,924	69,241	69,241	138,482
Depreciation and amortization		13,954	2,314	16,268	27,705	43,973
Other		27,708	4,595	32,303	5,700	38,003
Total Expenses		<u>\$ 6,885,244</u>	<u>\$ 2,188,954</u>	<u>\$ 9,074,198</u>	<u>\$ 2,106,663</u>	<u>\$ 11,180,861</u>

See independent auditors' report

## Explore Empower Charter School

### Schedule of Functional Expenses - Empower Year Ended June 30, 2024

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	17	\$ 1,353,792	\$ 639,962	\$ 1,993,754	\$ 381,903	\$ 2,375,657
Instructional personnel	38	2,299,370	1,086,954	3,386,324	648,649	4,034,973
Total Personnel Services Costs	<u>55</u>	<u>3,653,162</u>	<u>1,726,916</u>	<u>5,380,078</u>	<u>1,030,552</u>	<u>6,410,630</u>
Fringe benefits and payroll taxes		920,006	434,903	1,354,909	259,532	1,614,441
Retirement		23,791	11,247	35,038	6,712	41,750
Management company fees		580,323	180,778	761,101	399,322	1,160,423
Legal services		-	-	-	16,440	16,440
Accounting / audit services		-	-	-	21,046	21,046
Other purchased / professional / consulting services		83,036	28,903	111,939	95,605	207,544
Repairs and maintenance		6,529	2,034	8,563	1,511	10,074
Insurance		45,015	14,023	59,038	10,419	69,457
Utilities		62,542	19,483	82,025	14,475	96,500
Supplies / materials		208,394	64,917	273,311	-	273,311
Equipment / furnishings		24,424	7,608	32,032	5,653	37,685
Staff development		89,923	28,012	117,935	29,850	147,785
Marketing / recruitment		62,044	19,328	81,372	1,030	82,402
Technology		190,921	59,475	250,396	44,188	294,584
Food service		533	166	699	-	699
Student services		158,722	49,444	208,166	-	208,166
Office expense		59,456	6,606	66,062	66,062	132,124
Depreciation and amortization		2,885	899	3,784	21,440	25,224
Other		33,513	10,440	43,953	7,753	51,706
Total Expenses		<u>\$ 6,205,219</u>	<u>\$ 2,665,182</u>	<u>\$ 8,870,401</u>	<u>\$ 2,031,590</u>	<u>\$ 10,901,991</u>

See independent auditors' report

## Explore Excel Charter School

### Schedule of Functional Expenses - Excel Year Ended June 30, 2024

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	17	\$ 1,334,349	\$ 526,618	\$ 1,860,967	\$ 286,014	\$ 2,146,981
Instructional personnel	65	3,247,888	1,281,820	4,529,708	696,176	5,225,884
Total Personnel Services Costs	<u>82</u>	<u>4,582,237</u>	<u>1,808,438</u>	<u>6,390,675</u>	<u>982,190</u>	<u>7,372,865</u>
Fringe benefits and payroll taxes		1,139,668	449,784	1,589,452	244,285	1,833,737
Retirement		66,036	26,062	92,098	14,155	106,253
Management company fees		809,269	117,034	926,303	485,998	1,412,301
Legal services		-	-	-	4,752	4,752
Accounting / audit services		-	-	-	21,704	21,704
Other purchased / professional / consulting services		157,323	28,902	186,225	128,751	314,976
Repairs and maintenance		5,226	756	5,982	1,056	7,038
Insurance		65,675	9,498	75,173	13,266	88,439
Utilities		68,719	9,938	78,657	13,881	92,538
Supplies / materials		149,826	21,667	171,493	-	171,493
Equipment / furnishings		18,160	2,626	20,786	3,668	24,454
Staff development		110,104	15,923	126,027	25,551	151,578
Marketing / recruitment		79,039	11,430	90,469	37,910	128,379
Technology		274,980	39,767	314,747	55,544	370,291
Food service		555	80	635	-	635
Student services		178,870	25,868	204,738	-	204,738
Office expense		55,716	6,191	61,907	61,907	123,814
Depreciation and amortization		6,142	888	7,030	39,839	46,869
Other		20,472	2,961	23,433	4,133	27,566
Total Expenses		<u>\$ 7,788,017</u>	<u>\$ 2,577,813</u>	<u>\$ 10,365,830</u>	<u>\$ 2,138,590</u>	<u>\$ 12,504,420</u>

See independent auditors' report

**Explore Exceed Charter School**

Schedule of Functional Expenses - Exceed  
Year Ended June 30, 2024

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	15	\$ 1,018,671	\$ 912,771	\$ 1,931,442	\$ 312,697	\$ 2,244,139
Instructional personnel	54	2,118,899	1,898,620	4,017,519	650,428	4,667,947
Total Personnel Services Costs	<u>69</u>	<u>3,137,570</u>	<u>2,811,391</u>	<u>5,948,961</u>	<u>963,125</u>	<u>6,912,086</u>
Fringe benefits and payroll taxes		739,288	662,432	1,401,720	226,936	1,628,656
Retirement		1,592	1,427	3,019	489	3,508
Management company fees		447,454	207,524	654,978	343,643	998,621
Legal services		-	-	-	14,744	14,744
Accounting / audit services		-	-	-	21,704	21,704
Other purchased / professional / consulting services		235,018	77,280	312,298	163,878	476,176
Repairs and maintenance		9,440	4,378	13,818	2,439	16,257
Insurance		41,660	19,322	60,982	10,761	71,743
Utilities		81,250	37,683	118,933	20,988	139,921
Supplies / materials		110,939	51,452	162,391	-	162,391
Equipment / furnishings		9,101	4,221	13,322	2,351	15,673
Staff development		79,621	36,928	116,549	18,155	134,704
Marketing / recruitment		51,890	24,066	75,956	3,376	79,332
Technology		180,125	83,540	263,665	46,529	310,194
Food service		919	426	1,345	-	1,345
Student services		133,940	62,120	196,060	-	196,060
Office expense		46,470	5,163	51,633	51,634	103,267
Depreciation and amortization		3,183	-	3,183	18,037	21,220
Other		34,351	15,931	50,282	8,875	59,157
Total Expenses		<u>\$ 5,343,811</u>	<u>\$ 4,105,284</u>	<u>\$ 9,449,095</u>	<u>\$ 1,917,664</u>	<u>\$ 11,366,759</u>

See independent auditors' report

# **Explore Charter Schools of Brooklyn**

Uniform Guidance  
Schedules and Reports

June 30, 2024

## Explore Charter Schools of Brooklyn

### Schedule of Expenditures of Federal Awards Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Education</u>				
Pass-Through New York State Education Department:				
Title I Grants to Local Educational Agencies	84.010	0021-24-4085	\$ -	\$ 218,689
Title I Grants to Local Educational Agencies	84.010	0021-24-4575	-	192,758
Title I Grants to Local Educational Agencies	84.010	0021-24-4845	-	231,841
Title I Grants to Local Educational Agencies	84.010	0021-24-4275	-	184,844
			<u>-</u>	<u>828,132</u>
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-24-4085	-	27,767
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-24-4575	-	23,562
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-24-4845	-	28,104
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	0147-24-4275	-	22,354
			<u>-</u>	<u>101,787</u>
Student Support and Academic Enrichment Program	84.424	0204-24-4085	-	17,370
Student Support and Academic Enrichment Program	84.424	0204-24-4575	-	14,817
Student Support and Academic Enrichment Program	84.424	0204-24-4845	-	18,463
Student Support and Academic Enrichment Program	84.424	0204-24-4275	-	14,720
			<u>-</u>	<u>65,370</u>
English Language Acquisition State Grants	84.365	0293-24-4845	-	21,258
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4085	-	24,399
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4575	-	53,301
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund II	84.425D	5891-21-4845	-	65,375
			<u>-</u>	<u>143,075</u>

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

## Explore Charter Schools of Brooklyn

### Schedule of Expenditures of Federal Awards *(continued)* Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Education <i>(continued)</i></u>				
Pass-Through New York State Education Department: <i>(continued)</i>				
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4085	\$ -	\$ 311,473
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4575	-	456,528
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4845	-	464,800
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP	84.425U	5880-21-4275	-	301,746
			-	<u>1,534,547</u>
COVID-19 Education Stabilization Fund/Elementary and Secondary School Emergency Relief Fund ARP HCY II	84.425W	5218-21-4575	-	<u>3,407</u>
Special Education Cluster (IDEA)-Cluster Pass-Through New York State Education Department: COVID-19 - Special Education Grants to States	84.027	not available	-	<u>84,631</u>
Total U.S. Department of Education			-	<u>2,782,207</u>
<u>Federal Communications Commission</u>				
Pass-Through Universal Service Administrative Company:				
COVID-19 Emergency Connectivity Fund Program	32.009	ECF202208036	-	22,672
COVID-19 Emergency Connectivity Fund Program	32.009	ECF202208097	-	2,399
COVID-19 Emergency Connectivity Fund Program	32.009	ECF202208121	-	207
			-	<u>25,278</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 2,807,485</u>

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

## Explore Charter Schools of Brooklyn

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2024

### 1. **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Explore Charter Schools of Brooklyn (the "School"), under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

### 2. **Summary of Significant Accounting Policies**

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

### 3. **Indirect Cost Rate**

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

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

**Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Explore Charter Schools of Brooklyn (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 7 , 2024

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

**Independent Auditors' Report**

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

**Report on Compliance for Each Major Federal Program**

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

We have audited Explore Charter Schools of Brooklyn's (the "School") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2024. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

**Report on Internal Control over Compliance**

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

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

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

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

*PKF O'Connor Davies, LLP*

Harrison, New York  
October 7, 2024

## Explore Charter Schools of Brooklyn

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024

### Section I - Summary of Auditors' Results

#### Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes X no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes X none reported

Noncompliance material to the financial statements noted?

\_\_\_\_\_ yes X no

#### Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ yes X no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes X none reported

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

Unmodified

Any audit findings disclosed that are required

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

\_\_\_\_\_ yes X no

Identification of major federal programs:

#### Federal Assistance Listing Number(s)

#### Name of Federal Program or Cluster

84.425D

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

84.425U

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

84.425W

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

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X yes \_\_\_\_\_ no

### Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2024.

### 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.