

Brooklyn Prospect Charter School

Financial Statements

June 30, 2018 and 2017

Independent Auditors' Report

Board of Trustees
Brooklyn Prospect Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Brooklyn Prospect Charter School (the "School"), which comprise the statements of financial position as of June 30, 2018 and 2017, 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, 2018 and 2017, 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 Summarized Comparative Information

We have previously audited the School's June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2017. In our opinion, the summarized comparative statement of functional expenses presented herein for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 charter for the year ended June 30, 2018 on pages 14 through 16 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, 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.

Brooklyn Prospect Charter School

Statements of Financial Position

	June 30,	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 341,028	\$ 122,322
Grants and contract receivables	1,076,761	1,227,714
Prepaid expenses and other current assets	140,407	253,526
Total Current Assets	1,558,196	1,603,562
Property and equipment, net	4,697,165	4,804,446
Restricted cash	126,194	101,124
Security deposit	1,117,000	1,117,000
Due from related party	-	133,795
	\$ 7,498,555	\$ 7,759,927
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 234,315	\$ 370,817
Due to related party	2,986	-
Refundable advances	24,373	125,062
Total Current Liabilities	261,674	495,879
Deferred rent	2,833,587	2,639,636
Total Liabilities	3,095,261	3,135,515
Net assets, unrestricted	4,403,294	4,624,412
	\$ 7,498,555	\$ 7,759,927

See notes to financial statements

Brooklyn Prospect Charter School

Statements of Activities

	Year Ended June 30,	
	2018	2017
REVENUE AND SUPPORT		
State and local per pupil operating revenue		
General education	\$ 18,532,586	\$ 15,462,699
Special education	2,545,338	2,397,609
Facilities	1,437,900	1,105,833
Federal grants	525,559	811,400
Federal E-Rate and IDEA	174,473	174,655
State and city grants	772,940	820,710
Contributions from related party	1,003,803	1,073,399
Donated services	94,420	173,580
After school program	363,777	346,957
Field trips and events	168,182	62,739
Other income	216,372	210,448
Total Revenue and Support	25,835,350	22,640,029
EXPENSES		
Program Services		
Regular education	16,587,660	14,515,161
Special education	4,192,521	3,700,783
Total Program Services	20,780,181	18,215,944
Supporting Services		
Management and general	4,758,961	3,553,947
Fundraising	517,326	436,805
Total Expenses	26,056,468	22,206,696
Change in Net Assets	(221,118)	433,333
NET ASSETS, UNRESTRICTED		
Beginning of year	4,624,412	4,191,079
End of year	\$ 4,403,294	\$ 4,624,412

See notes to financial statements

Brooklyn Prospect Charter School

Statement of Functional Expenses

Year Ended June 30, 2018

(with summarized totals for the year ended June 30, 2017)

	No. of Postions	2018						2017
		Program Services			Supporting Services			Total
		Regular Education	Special Education	Total	Management and General	Fundraising	Total	
Personnel Services Costs								
Administrative staff personnel	11	\$ 1,720,274	\$ 430,069	\$ 2,150,343	\$ 1,545,631	\$ 323,426	\$ 4,019,400	\$ 3,444,893
Instructional personnel	222	7,903,198	1,975,800	9,878,998	-	-	9,878,998	8,689,076
Non-instructional personnel	145	1,186,668	296,667	1,483,335	463,836	-	1,947,171	1,307,329
Total Salaries and Staff	378	10,810,140	2,702,536	13,512,676	2,009,467	323,426	15,845,569	13,441,298
Employee benefits and payroll taxes		2,359,756	589,939	2,949,695	451,129	69,404	3,470,228	2,757,375
Office expenses		257,522	65,066	322,588	91,626	6,802	421,016	399,673
Accounting and auditing		-	-	-	63,487	-	63,487	32,750
Legal fees		-	-	-	47,008	-	47,008	1,010
Donated legal services		-	-	-	94,420	-	94,420	173,580
Payroll service		-	-	-	67,943	-	67,943	72,161
General and administrative consultants		109,411	27,353	136,764	153,356	-	290,120	183,986
Other professional fees		162,535	85,551	248,086	12,029	1,083	261,198	181,254
Professional development		121,941	30,485	152,426	23,313	3,586	179,325	152,601
Student and staff meals		175,355	43,839	219,194	5,267	810	225,271	218,554
Student and staff special events		104,374	26,094	130,468	10,820	1,665	142,953	139,609
Marketing and recruiting		-	-	-	66,207	-	66,207	49,380
Parent teacher organization		-	-	-	-	58,008	58,008	32,694
Curriculum and classroom		653,914	163,479	817,393	-	-	817,393	726,296
Insurance		-	-	-	124,028	-	124,028	109,261
Facility expense		1,683,401	420,850	2,104,251	705,704	48,151	2,858,106	2,604,395
Technology		110,439	27,610	138,049	68,198	3,248	209,495	187,144
Depreciation and amortization		-	-	-	719,917	-	719,917	687,009
Miscellaneous		38,872	9,719	48,591	45,042	1,143	94,776	56,666
Total Expenses		\$ 16,587,660	\$ 4,192,521	\$ 20,780,181	\$ 4,758,961	\$ 517,326	\$ 26,056,468	\$ 22,206,696

Brooklyn Prospect Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (221,118)	\$ 433,333
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	719,917	687,009
Gain on disposal of property and equipment	-	(45)
Changes in operating assets and liabilities		
Grants and contract receivables	150,953	(874,012)
Prepaid expenses and other current assets	113,119	(157,617)
Security deposit	-	(700,000)
Due from related party	133,795	(133,795)
Accounts payable and accrued expenses	(136,502)	73,921
Due to related party	2,986	-
Refundable advances	(100,689)	109,450
Deferred rent	193,951	318,301
Net Cash from Operating Activities	856,412	(243,455)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(612,636)	(1,301,391)
Restricted cash	(25,070)	(25,665)
Net Cash from Investing Activities	(637,706)	(1,327,056)
 Net Change in Cash and Cash Equivalents	 218,706	 (1,570,511)
CASH AND CASH EQUIVALENTS		
Beginning of year	122,322	1,692,833
End of year	\$ 341,028	\$ 122,322

See notes to financial statements

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2018 and 2017

1. Organization and Tax Status

Brooklyn Prospect Charter School (the "School") is an educational corporation that operates two charter schools in the borough of Brooklyn, New York. On July 28, 2008, the Board of Regents of the University of the State of New York (the "Board of Regents") granted the School a provisional charter valid for a term of five years and renewable upon expiration. On December 28, 2014, the Board of Regents granted the School a full-term renewal to the charter for a period of five years effective until July 31, 2019. On June 4, 2014, the Board of Regents granted the School a second provisional charter valid for a term of five years and renewable upon expiration. Classes commenced for the second charter in August 2016. The School's mission is to be a K through 12 college preparatory community where excellent teachers prepare a diverse student body to have a positive impact on society and a lifelong passion for learning. In the 2017-2018 academic year, the School operated classes for approximately 1,246 students in grades kindergarten through twelfth grade.

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

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 Assets Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Unrestricted - consist of resources available for the general support of the School's operations. Unrestricted net assets may be used at the discretion of the School's management and Board of Trustees.

Temporarily Restricted - represent amounts restricted by donors for specific activities of the School or to be used at some future date. The School records contributions as temporarily restricted 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions are met in the same accounting period in which they are received, such amounts are reported as unrestricted net assets.

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Net Assets Presentation (continued)

Permanently Restricted - consist of net assets that are subject to donor imposed restrictions that require the School to maintain them permanently, including funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income and gains earned on endowment fund investments are available to be used in the unrestricted or temporarily restricted net asset classes based upon stipulations by the donors.

The School had no temporarily or permanently restricted net assets at June 30, 2018 and 2017.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances held in bank accounts and highly liquid debt instruments with maturities of three months or less at the time of purchase.

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.

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$3,000 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. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case such assets are expensed as incurred.

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

Computers and equipment	5 years
Furniture and fixtures	7 years
Software	3 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2018 and 2017.

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2018 and 2017

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 they are 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 temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2015.

Reclassification

Certain accounts in the 2017 financial statements have been reclassified to conform to the 2018 financial statement presentation.

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2018 and 2017

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

Prior Year Summarized Financial Information

The statement of functional expenses includes prior-year summarized comparative information in total but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the School's statement of functional expenses for the year ended June 30, 2017, from which the summarized information was derived.

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 29, 2018.

3. Grants and Contract Receivables

Grants and contract receivables consists of federal, state, and city entitlements and grants. The School expects to collect these receivables within one year.

4. Property and Equipment

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

	<u>2018</u>	<u>2017</u>
Computers and equipment	\$ 1,787,761	\$ 1,611,098
Furniture and fixtures	1,449,862	1,355,264
Software	33,744	33,744
Leasehold improvements	4,433,520	4,089,864
Construction-in-progress	<u>326,998</u>	<u>329,279</u>
	8,031,885	7,419,249
Accumulated depreciation and amortization	<u>(3,334,720)</u>	<u>(2,614,803)</u>
	<u>\$ 4,697,165</u>	<u>\$ 4,804,446</u>

Construction-in-progress at June 30, 2018 and 2017 is comprised of architect fees and other soft costs for the planning, development, and construction of both the middle school's permanent facility and the roof and interior renovations of the elementary school's permanent facility.

5. Related Party Transaction (not disclosed elsewhere)

The School is an affiliate of Prospect Schools, Inc. ("Prospect"), a New York State not-for-profit corporation, through common management. Prospect provides financial support and other services to the School. For the years ended June 30, 2018 and 2017, the School received contributions of \$1,003,803 and \$1,073,399 from Prospect to cover specific program expenses. At June 30, 2018, the outstanding balance due to Prospect amounted to \$2,986, while the outstanding balance due from Prospect amounted to \$133,795 at June 30, 2017.

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2018 and 2017

6. 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.

7. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2018, approximately \$216,000 of cash was maintained with an institution in excess of FDIC limits, while cash as of June 30, 2017 did not exceed FDIC limits.

8. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2018 and 2017, the School received approximately 87% and 84% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

9. Employee Benefit Plan

The School maintains a pension plan qualified under Internal Revenue Code 401(k) for the benefit of its eligible employees. Under the plan, the School matched employee contributions up to 4% of the annual compensation covered under the employment arrangement with ADP Retirement Services. Total employer match for the years ended June 30, 2018 and 2017 amounted to \$458,574 and \$385,320.

10. Donated Services

Donated services are recognized as contributions in accordance with U.S. GAAP if the services create or enhance non-financial assets, require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School, and are measurable.

One law firm provided legal services to the School at no charge. The value of these services meets the criteria for recognition in the financial statements and was recorded at a fair value of \$94,420 and \$173,580 for the years ended June 30, 2018 and 2017. The value of these services is allocated to management and general services in the accompanying statements of activities and functional expenses.

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2018 and 2017

11. Commitments

Facilities

In April 2012, the School signed a lease with The Roman Catholic Church of the Immaculate Heart of Mary for its middle and high school classrooms and office space under a non-cancelable lease expiring June 30, 2032, with an option to extend the lease for an additional ten years. Under the terms of the lease, the School paid a security deposit in the amount of \$142,000. The School moved into its permanent facility on September 1, 2012 and commenced paying rent.

In May 2013, the School signed a lease with The Sisters of Saint Joseph for its elementary school classrooms and office space under a non-cancelable lease expiring June 30, 2023, with two options to extend the lease for an additional five years each. Under the terms of the lease, the School paid a security deposit in the amount of \$75,000. The School moved into this new facility on July 1, 2013 and commenced paying rent.

In August 2016, the School signed a lease with Metrotech, LLC 13 for its main office and after school activity center for its elementary students under a non-cancelable lease expiring June 30, 2034. Under this lease, the School has an option of extending the lease an additional 5 years. Under the terms of the lease, the School paid a security deposit in the amount of \$300,000. The School moved into this new facility on April 1, 2017 and commenced paying rent.

In June 2015, the School signed a lease with Power Realty Partners for its classrooms and office space under a non-cancelable lease for their second middle school expiring June 30, 2037. Under this lease, the School has an option of extending the lease an additional 10 years. Under the terms of the lease, the School paid a security deposit in the amount of \$200,000. The School is in the process of renovating this location and rent will commence once the School moves into this facility. In the fall of 2016, the second middle school opened at a temporary space provided by the New York City Department of Education. The School moved into the permanent facility in the fall of 2018.

In January 2017, the School signed a lease with 160 17th Street, LLC for its classrooms, office space, and outdoor play area under a non-cancelable lease for the first middle school expiring June 30, 2038. Under this lease, the School has an option of extending the lease an additional 20 years. Under the terms of the lease, the School is liable to pay a security deposit totaling \$600,000. During fiscal year 2017, the school paid \$400,000 with the remaining balance to be paid upon the issuance of the temporary certificate of occupancy in fiscal year 2018. The School had yet to move into the facility at June 30, 2018 and expects to move in and commence rent payments in the fall of 2019.

Brooklyn Prospect Charter School

Notes to Financial Statements
June 30, 2018 and 2017

11. Commitments (continued)

Facilities (continued)

Future minimum lease payments under the above leases are as follows for the years ending June 30:

2019	\$ 3,328,812
2020	4,621,338
2021	4,684,148
2022	4,701,196
2023	5,036,227
Thereafter	<u>61,576,763</u>
	<u>\$ 83,948,484</u>

The School recognizes rent expense on a straight-line basis over the term of the leases. Rent expense in excess of payments is recorded as deferred rent in the accompanying statements of financial position. Rent expense under the first three leases for the years ended June 30, 2018 and 2017 amounted to \$2,332,301 and \$2,080,343.

Leased Equipment

The School leases various copy machines under non-cancelable operating leases expiring in various years through 2021. Minimum future rental payments under non-cancelable operating leases are as follows for the years ending June 30:

2019	\$ 117,103
2020	97,683
2021	<u>97,683</u>
	<u>\$ 312,469</u>

Brooklyn Prospect Charter School

Supplementary Information

June 30, 2018

Brooklyn Prospect Charter School

Schedule of Activities by Charter Year Ended June 30, 2018

	Charter 1 CSD15	Charter 2 CSD13	Total
REVENUE AND SUPPORT			
State and local per pupil operating revenue			
General education	\$ 10,950,988	\$ 7,581,598	\$ 18,532,586
Special education	1,731,718	813,620	2,545,338
Facilities	812,608	625,292	1,437,900
Federal grants	370,524	155,035	525,559
Federal E-Rate and IDEA	152,165	22,308	174,473
State and city grants	589,408	183,532	772,940
Contributions from related party	551,814	451,989	1,003,803
Donated services	55,708	38,712	94,420
After school program	85	363,692	363,777
Field trips and events	134,548	33,634	168,182
Other income	119,979	96,393	216,372
Total Revenue and Support	15,469,545	10,365,805	25,835,350
EXPENSES			
Program Services			
Regular education	10,197,786	6,389,874	16,587,660
Special education	2,586,934	1,605,587	4,192,521
Total Program Services	12,784,720	7,995,461	20,780,181
Supporting Services			
Management and general	2,937,354	1,821,607	4,758,961
Fundraising	315,208	202,118	517,326
Total Expenses	16,037,282	10,019,186	26,056,468
Change in Net Assets	(567,737)	346,619	(221,118)
NET ASSETS, UNRESTRICTED			
Beginning of year	361,828	4,262,584	4,624,412
End of year	\$ (205,909)	\$ 4,609,203	\$ 4,403,294

Brooklyn Prospect Charter School

Schedule of Functional Expenses
Charter 1 CSD15
Year Ended June 30, 2018

	No. of Postions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	7	\$ 971,499	\$ 242,875	\$ 1,214,374	\$ 902,512	\$ 189,998	\$ 2,306,884
Instructional personnel	152	4,892,810	1,223,203	6,116,013	-	-	6,116,013
Non-instructional personnel	92	630,369	157,592	787,961	364,252	-	1,152,213
Total Salaries and Staff	251	6,494,678	1,623,670	8,118,348	1,266,764	189,998	9,575,110
Employee benefits and payroll taxes		1,419,748	354,937	1,774,685	271,422	41,757	2,087,864
Office expenses		142,913	36,039	178,952	50,439	3,895	233,286
Accounting and auditing		-	-	-	37,457	-	37,457
Legal fees		-	-	-	27,735	-	27,735
Donated legal services		-	-	-	55,708	-	55,708
Payroll service		-	-	-	40,215	-	40,215
General and administrative consultants		64,556	16,139	80,695	91,233	-	171,928
Other professional fees		94,109	60,703	154,812	8,992	748	164,552
Professional development		71,957	17,989	89,946	13,756	2,116	105,818
Student and staff meals		99,463	24,866	124,329	5,266	810	130,405
Student and staff special events		66,165	16,541	82,706	5,688	875	89,269
Marketing and recruiting		-	-	-	41,181	-	41,181
Parent teacher organization		-	-	-	-	36,194	36,194
Curriculum and classroom		409,251	102,313	511,564	-	-	511,564
Insurance		-	-	-	72,544	-	72,544
Facility expense		1,236,698	309,175	1,545,873	457,790	35,926	2,039,589
Technology		75,360	18,840	94,200	44,069	2,216	140,485
Depreciation and amortization		-	-	-	424,751	-	424,751
Miscellaneous		22,888	5,722	28,610	22,344	673	51,627
Total Expenses		<u>\$ 10,197,786</u>	<u>\$ 2,586,934</u>	<u>\$ 12,784,720</u>	<u>\$ 2,937,354</u>	<u>\$ 315,208</u>	<u>\$ 16,037,282</u>

See independent auditors' report

Brooklyn Prospect Charter School

Schedule of Functional Expenses
Charter 2 CSD13
Year Ended June 30, 2018

	No. of Postions	Program Services			Supporting Services		Total
		Regular Education	Special Education	Total	Management and General	Fundraising	
Personnel Services Costs							
Administrative staff personnel	4	\$ 748,775	\$ 187,194	\$ 935,969	\$ 643,119	\$ 133,428	\$ 1,712,516
Instructional personnel	70	3,010,388	752,597	3,762,985	-	-	3,762,985
Non-instructional personnel	<u>53</u>	<u>556,299</u>	<u>139,075</u>	<u>695,374</u>	<u>99,584</u>	<u>-</u>	<u>794,958</u>
Total Salaries and Staff	127	4,315,462	1,078,866	5,394,328	742,703	133,428	6,270,459
Employee benefits and payroll taxes		940,008	235,002	1,175,010	179,707	27,647	1,382,364
Office expenses		114,605	29,027	143,632	41,191	2,907	187,730
Accounting and auditing		-	-	-	26,030	-	26,030
Legal fees		-	-	-	19,273	-	19,273
Donated legal services		-	-	-	38,712	-	38,712
Payroll service		-	-	-	27,728	-	27,728
General and administrative consultants		44,855	11,214	56,069	62,123	-	118,192
Other professional fees		68,426	24,848	93,274	3,037	335	96,646
Professional development		49,985	12,496	62,481	9,556	1,470	73,507
Student and staff meals		75,893	18,973	94,866	-	-	94,866
Student and staff special events		38,209	9,552	47,761	5,133	790	53,684
Marketing and recruiting		-	-	-	25,026	-	25,026
Parent teacher organization		-	-	-	-	21,814	21,814
Curriculum and classroom		244,663	61,166	305,829	-	-	305,829
Insurance		-	-	-	51,484	-	51,484
Facility expense		446,703	111,676	558,379	247,913	12,225	818,517
Technology		35,079	8,770	43,849	24,129	1,032	69,010
Depreciation and amortization		-	-	-	295,166	-	295,166
Miscellaneous		<u>15,986</u>	<u>3,997</u>	<u>19,983</u>	<u>22,696</u>	<u>470</u>	<u>43,149</u>
Total Expenses		<u>\$ 6,389,874</u>	<u>\$ 1,605,587</u>	<u>\$ 7,995,461</u>	<u>\$ 1,821,607</u>	<u>\$ 202,118</u>	<u>\$ 10,019,186</u>

See independent auditors' report

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

Independent Auditors' Report

**Board of Trustees
Brooklyn Prospect Charter School**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brooklyn Prospect Charter School (the "School"), which comprise the statement of financial position as of June 30, 2018, 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 29, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Harrison, New York
October 29, 2018