

BROOKLYN EXCELSIOR CHARTER SCHOOL



Financial Statements, Additional
Information, and Federal Awards
Supplemental Information as of and for the
Years Ended June 30, 2015 and 2014, and
Independent Auditor's Reports

BROOKLYN EXCELSIOR CHARTER SCHOOL

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Independent Auditor's Report

To the Board of Directors
Brooklyn Excelsior Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Brooklyn Excelsior Charter School (the "School"), which comprise the statement of financial position as of June 30, 2015 and 2014 and the related statements of activities and changes in net assets 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.

Auditor's 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 audits 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 auditor's 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 Brooklyn Excelsior Charter School as of June 30, 2015 and 2014 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Brooklyn Excelsior Charter School

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Brooklyn Excelsior Charter School's financial statements. The schedule of expenditures of federal awards, as identified in the table of contents, and supplemental schedule of functional expenses, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards 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. Such 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The supplemental schedule of functional expenses has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015 on our consideration of Brooklyn Excelsior Charter 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 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 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 Brooklyn Excelsior Charter School's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 21, 2015

BROOKLYN EXCELSIOR CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash	\$ 104,686	\$ 121,496
Due from governmental revenue sources	<u>269,800</u>	<u>274,964</u>
Total current assets	<u>374,486</u>	<u>396,460</u>
NON-CURRENT ASSETS:		
Capital assets	121,120	121,120
Less accumulated depreciation	<u>(53,349)</u>	<u>(42,012)</u>
Total capital assets, net of accumulated depreciation	<u>67,771</u>	<u>79,108</u>
TOTAL	<u>\$ 442,257</u>	<u>\$ 475,568</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Deferred revenue	\$ 29,422	\$ 18,080
Accounts payable	1,120	1,120
Contracted service fee payable	<u>321,972</u>	<u>332,192</u>
Total liabilities	<u>352,514</u>	<u>351,392</u>
NET ASSETS:		
Unrestricted and undesignated	<u>89,743</u>	<u>124,176</u>
TOTAL	<u>\$ 442,257</u>	<u>\$ 475,568</u>

See notes to financial statements.

BROOKLYN EXCELSIOR CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
REVENUES, GAINS AND OTHER SUPPORT:		
State aid	\$ 9,749,210	\$9,553,173
Other state sources	475,829	319,657
Federal sources	923,399	860,375
Private sources	<u>106,229</u>	<u>24,496</u>
Total revenues, gains and other support	11,254,667	10,757,701
EXPENSES:		
Contracted service fee	11,277,763	10,743,173
Depreciation	<u>11,337</u>	<u>13,652</u>
Total expenses	<u>11,289,100</u>	<u>10,756,825</u>
CHANGE IN UNRESTRICTED NET ASSETS	(34,433)	876
NET ASSETS:		
Beginning of year	<u>124,176</u>	<u>123,300</u>
End of year	<u>\$ 89,743</u>	<u>\$ 124,176</u>

See notes to financial statements.

BROOKLYN EXCELSIOR CHARTER SCHOOL

STATEMENT OF CASH FLOWS YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
State aid	\$ 9,760,122	\$ 9,570,835
Other state sources	457,193	306,881
Federal sources	947,190	669,278
Private sources	106,668	24,719
Payments for services rendered	<u>(11,287,983)</u>	<u>(10,557,276)</u>
Net cash (used in) provided by operating activities	(16,810)	14,437
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of other equipment	<u>-</u>	<u>(1,185)</u>
NET (DECREASE) INCREASE IN CASH	(16,810)	13,252
CASH — Beginning of year	<u>121,496</u>	<u>108,244</u>
CASH — End of year	<u><u>\$ 104,686</u></u>	<u><u>\$ 121,496</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ (34,433)	\$ 876
Depreciation	11,337	13,652
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in due from governmental revenue sources	5,164	(199,468)
Change in accounts payable	-	(93)
Change in deferred revenue	11,342	13,480
Change in contracted service fee payable	<u>(10,220)</u>	<u>185,990</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ (16,810)</u></u>	<u><u>\$ 14,437</u></u>

See notes to financial statements.

BROOKLYN EXCELSIOR CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

1. NATURE OF OPERATIONS

Brooklyn Excelsior Charter School (the "School") is a public charter school as defined by Article 56 of the New York State Education Law which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The School operates under a charter approved by the State University of New York Charter School Institute, which is responsible for oversight of the School's operations. The charter expires July 31, 2018 and is subject to renewal. Management believes the charter will be renewed in the ordinary course of business. The School provides education, at no cost to the parent, to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

The School's primary source of revenue is provided by the State of New York and consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and was funded through payments from July 2014 through May 2015 for the year ended June 30, 2015.

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

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the School from all revenue sources and NHA pays the Board of Directors an amount equal to the lesser of two percent of state per pupil aid or \$35,000. These funds are property of the School and may be used by the School at the discretion of the board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Cash — Cash as of June 30, 2015 and 2014 represents bank deposits which are covered by federal depository insurance.

Deferred Revenue — Deferred revenue as of June 30, 2015 and 2014 consists of funds received for services which have not yet been performed.

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

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

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

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

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

- *Unrestricted Net Assets* — Net assets which are not subject to donor imposed or governmental stipulations.

Revenues and contributions are reported as follows:

- Revenues, gains and other support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed or governmental restrictions. Expenses are reported as decreases in unrestricted net assets. Other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or governmental restriction. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.
- Revenue is recorded when earned, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The School has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions. The School recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and other information available at the reporting date and is subject to management's judgment. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations prior to June 30, 2012.

3. RISK MANAGEMENT

The School is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2015 or 2014, and claims did not exceed coverage less retained risk deductible amounts in the past fiscal year.

4. CONTINGENCIES

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

5. CAPITAL ASSETS

Capital asset activity of the school was as follows:

Year ended June 30, 2015	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Equipment	\$ 121,120	\$ -	\$ -	\$ 121,120
Total capital assets at historical cost	<u>121,120</u>	<u>-</u>	<u>-</u>	<u>121,120</u>
Less accumulated depreciation — equipment	<u>42,012</u>	<u>11,337</u>	<u>-</u>	<u>53,349</u>
Total accumulated depreciation	<u>42,012</u>	<u>11,337</u>	<u>-</u>	<u>53,349</u>
Total capital asset activity, net	<u>\$ 79,108</u>	<u>\$ (11,337)</u>	<u>\$ -</u>	<u>\$ 67,771</u>

Year ended June 30, 2014	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Equipment	\$ 119,935	\$ 1,185	\$ -	\$ 121,120
Total capital assets at historical cost	<u>119,935</u>	<u>1,185</u>	<u>-</u>	<u>121,120</u>
Less accumulated depreciation — equipment	<u>28,360</u>	<u>13,652</u>	<u>-</u>	<u>42,012</u>
Total accumulated depreciation	<u>28,360</u>	<u>13,652</u>	<u>-</u>	<u>42,012</u>
Total capital asset activity, net	<u>\$ 91,575</u>	<u>\$ (12,467)</u>	<u>\$ -</u>	<u>\$ 79,108</u>

6. OPERATING LEASE

The School has entered into a sublease agreement with NHA for a facility to house the School. The lease term is through July 31, 2018. Rental payments required by the lease for the periods through June 30, 2015 were \$2,314,512 payable in twelve monthly payments of \$192,876.

7. FUNCTIONAL EXPENSES

The School provides a comprehensive education programs to enrolled students. Expenses incurred for these programs and other expenses are as follows:

	2015	2014
Program services:		
Regular education	\$ 7,875,121	\$ 7,970,644
Special education	493,466	377,300
Supporting services — management and general	<u>2,909,176</u>	<u>2,395,229</u>
Total contracted service fee	11,277,763	10,743,173
Depreciation Expense	<u>11,337</u>	<u>13,652</u>
Total Expenses	<u>\$ 11,289,100</u>	<u>\$ 10,756,825</u>

8. SUBSEQUENT EVENTS

Events or transactions for the year ended June 30, 2015 have been evaluated through October 21, 2015, the date the financial statements were available to be issued. The financial statements and the notes thereto do not reflect events or transactions after this date.

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ADDITIONAL INFORMATION

BROOKLYN EXCELSIOR CHARTER SCHOOL

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015 WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2014

	No. of Positions	2015							2014	
		Program Services				Supporting Services			Total	Total
		Regular Education	Special Education	Other Education	Total	Fund- raising	Management and General	Total		
Personnel Services Costs										
Administrative Staff Personnel	-	\$ 479,017	\$ -	\$ -	\$ 479,017	\$ -	\$ -	\$ -	\$ 479,017	\$ 462,148
Instructional Personnel	-	2,364,101	289,821	-	2,653,922	-	-	-	2,653,922	2,548,845
Non-Instructional Personnel	-	83,216	-	-	83,216	-	-	-	83,216	125,203
Total Salaries and Staff	-	2,926,334	289,821	-	3,216,155	-	-	-	3,216,155	3,136,196
Fringe Benefits & Payroll Taxes		740,475	68,423	-	808,898	-	-	-	808,898	718,048
Retirement		47,860	3,583	-	51,443	-	-	-	51,443	51,458
Management Company Fees		-	-	-	-	-	-	-	-	-
Legal Service		11,739	-	-	11,739	-	-	-	11,739	10,084
Accounting / Audit Services		10,404	-	-	10,404	-	304,688	304,688	315,092	286,349
Other Purchased / Professional / Consulting Services		11,500	128,365	-	139,865	-	829,083	829,083	968,948	824,259
Building and Land Rent / Lease		2,388,318	-	-	2,388,318	-	-	-	2,388,318	2,640,498
Repairs & Maintenance		340,063	-	-	340,063	-	32,613	32,613	372,676	275,028
Insurance		40,430	-	-	40,430	-	-	-	40,430	38,702
Utilities		226,035	-	-	226,035	-	-	-	226,035	188,674
Supplies / Materials		199,954	1,545	-	201,499	-	-	-	201,499	414,675
Equipment / Furnishings		155,247	-	-	155,247	-	-	-	155,247	138,771
Staff Development		105,122	1,729	-	106,851	-	13,432	13,432	120,283	82,212
Marketing / Recruitment		15,303	-	-	15,303	-	223,347	223,347	238,650	212,357
Technology		47,105	-	-	47,105	-	376,381	376,381	423,486	357,339
Food Service		446,540	-	-	446,540	-	-	-	446,540	404,855
Student Services		34,173	-	-	34,173	-	118,874	118,874	153,047	142,976
Office Expense		50,890	-	-	50,890	-	50,596	50,596	101,486	97,808
Depreciation		11,337	-	-	11,337	-	-	-	11,337	13,652
OTHER		77,629	-	-	77,629	-	960,162	960,162	1,037,791	722,884
Total Expenses		\$7,886,458	\$493,466	\$ -	\$8,379,924	\$ -	\$ 2,909,176	\$2,909,176	\$11,289,100	\$10,756,825

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 Auditor's Report

To Management and the Board of Directors
Brooklyn Excelsior 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 Excelsior Charter School, (the "School") which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brooklyn Excelsior Charter 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.

To Management and the Board of Directors
Brooklyn Excelsior Charter School

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brooklyn Excelsior Charter 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.

Plante & Moran, PLLC

October 21, 2015

SUPPLEMENTAL INFORMATION

Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Directors
Brooklyn Excelsior Charter School

Report on Compliance for the Major Federal Program

We have audited Brooklyn Excelsior Charter School's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2015. Brooklyn Excelsior Charter School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Brooklyn Excelsior Charter School's major federal program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Brooklyn Excelsior Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Brooklyn Excelsior Charter School's compliance.

Opinion on the Major Federal Program

In our opinion, Brooklyn Excelsior Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

To the Board of Directors
Brooklyn Excelsior Charter School

Report on Internal Control Over Compliance

Management of Brooklyn Excelsior Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Brooklyn Excelsior Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

October 21, 2015

BROOKLYN EXCELSIOR CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	State/Pass- through Grantor's Number	Expenditures
Child Nutrition Cluster			
U.S. Department of Agriculture—			
Passed through New York State Education Department:			
National School Breakfast Program	10.553		\$ 129,363
National School Lunch Program	10.555		<u>264,587</u>
Total U.S. Department of Agriculture			393,950
U.S. Department of Education:			
Passed through New York State Education Department:			
Title I, Grants to Local Educational Agencies	84.010	0021144232	87,366
		0021154232	<u>342,646</u>
Total Title I, Grants to Local Educational Agencies			430,012
Title II, Improving Teacher Quality	84.367	0147144232	10,603
		0147154232	<u>24,947</u>
Total Title II, Improving Teacher Quality			35,550
Race to the Top	84.395	5500144232	10,931
Passed through New York City Department of Education—			
IDEA Cluster - IDEA, Part B	84.027	84K731 2015	9 <u>52,947</u>
Total IDEA Cluster - IDEA, Part B			<u>52,956</u>
Total U.S. Department of Education			<u>529,449</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 923,399</u>

Brooklyn Excelsior Charter School

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Brooklyn Excelsior Charter School under programs of the federal government for the year ended June 30, 2015. Expenditures reported on the Schedule are reported on the same basis of accounting as the financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Because the Schedule presents only a selected portion of the operations of Brooklyn Excelsior Charter School, it is not intended to and does not present the financial position, changes in net assets or cash flows, if applicable, of Brooklyn Excelsior Charter School. Pass-through entity identifying numbers are presented where available.

Note 2 - Grant Auditor Report

Management has utilized the Federal/State Grant Payments - End of Year Report as published by the New York State Education Department in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Brooklyn Excelsior Charter School

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None