



Brooklyn RISE Charter School

BRCS Audit Report Call

Published on October 29, 2024 at 6:35 PM EDT

Date and Time

Tuesday October 29, 2024 at 6:00 PM EDT

Agenda

	Purpose	Presenter	Time
I. Opening Items			6:00 PM
A. Record Attendance			1 m
B. Call the Meeting to Order			
C. Approve Minutes	Approve Minutes		1 m
II. Finance			6:02 PM
A. Audit Draft Review	Vote	Ben Herbst	30 m
III. Other Business			
IV. Closing Items			
A. Adjourn Meeting	Vote		

Coversheet

Audit Draft Review

Section:	II. Finance
Item:	A. Audit Draft Review
Purpose:	Vote
Submitted by:	
Related Material:	DRAFT FS.pdf Management Rep Letter - Brooklyn RISE Charter School.docx

Brooklyn RISE Charter School

Financial Statements

June 30, 2024 and 2023

DRAFT

10-25-2024

Independent Auditors' Report

Board of Trustees Brooklyn RISE Charter School

Opinion

We have audited the accompanying financial statements of Brooklyn RISE Charter School (the "School") (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 the School 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 the School 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 the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Trustees
Brooklyn RISE Charter School
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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 the School'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 the School'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2024, 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.

_____, 2024

Brooklyn RISE Charter School

Statements of Financial Position

	June 30,	
	2024	2023
ASSETS		
Current Assets		
Cash	\$ 632,202	\$ 20,214
Grants and contracts receivable	225,965	88,525
Prepaid expenses	189,079	35,662
Total Current Assets	1,047,246	144,401
Right of use asset - operating lease, net	1,742,293	3,174,527
Property and equipment, net	399,341	588,681
Security deposit	400,399	400,399
Restricted cash	100,048	75,032
	\$ 3,689,327	\$ 4,383,040
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 125,371	\$ 57,450
Accrued payroll and payroll taxes	310,118	242,661
Operating lease liability, current portion	1,651,414	1,475,591
Refundable advances	-	14,300
Total Current Liabilities	2,086,903	1,790,002
Operating lease liability, net current portion	282,806	1,934,220
Total Liabilities	2,369,709	3,724,222
Net assets, without donor restrictions	1,319,618	658,818
	\$ 3,689,327	\$ 4,383,040

See notes to financial statements

Brooklyn RISE Charter School

Statements of Activities

	Year Ended June 30,	
	2024	2023
REVENUE AND SUPPORT		
State and local per pupil operating revenue	\$ 6,429,429	\$ 4,388,215
State and local per pupil facilities funding	1,566,199	1,090,545
Federal grants	204,694	106,551
Federal IDEA	70,356	35,719
City grants	559,121	-
Tenant reimbursement	200,000	-
Other revenue	21,531	17,241
Total Revenue and Support	9,051,330	5,638,271
EXPENSES		
Program Services		
Regular education	5,770,212	4,256,874
Special education	1,134,814	989,630
Total Program Services	6,905,026	5,246,504
Supporting Services		
Management and general	1,485,504	1,356,449
Total Expenses	8,390,530	6,602,953
Change in Net Assets	660,800	(964,682)
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	658,818	1,623,500
End of year	\$ 1,319,618	\$ 658,818

See notes to financial statements

Brooklyn RISE Charter School

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	15	\$ 347,611	\$ 86,903	\$ 434,514	\$ 575,982	\$ 1,010,496
Instructional personnel	31	2,247,249	308,569	2,555,818	-	2,555,818
Total Personnel Services Costs	<u>46</u>	2,594,860	395,472	2,990,332	575,982	3,566,314
Fringe benefits and payroll taxes		512,629	78,128	590,757	113,789	704,546
Retirement		45,774	6,976	52,750	10,160	62,910
Legal fees		-	-	-	5,208	5,208
Accounting/audit services		-	-	-	20,500	20,500
Other purchased/professional/consulting services		196,812	49,203	246,015	365,031	611,046
Building and land rent / lease		1,015,180	253,795	1,268,975	223,937	1,492,912
Repairs and maintenance		39,863	9,966	49,829	8,793	58,622
Insurance		32,972	8,243	41,215	7,274	48,489
Utilities		124,051	31,013	155,064	27,364	182,428
Supplies and materials		233,015	58,254	291,269	-	291,269
Equipment/furnishings		23,050	5,762	28,812	-	28,812
Staff development		100,046	25,011	125,057	1,704	126,761
Marketing/recruitment		22,909	5,728	28,637	6,169	34,806
Technology		5,645	1,411	7,056	-	7,056
Student services		672,786	168,197	840,983	-	840,983
Office expense		852	213	1,065	80,861	81,926
Depreciation and amortization		149,648	37,412	187,060	33,011	220,071
Other		120	30	150	5,721	5,871
		<u>5,770,212</u>	<u>1,134,814</u>	<u>6,905,026</u>	<u>1,485,504</u>	<u>8,390,530</u>
Total Expenses		<u>\$ 5,770,212</u>	<u>\$ 1,134,814</u>	<u>\$ 6,905,026</u>	<u>\$ 1,485,504</u>	<u>\$ 8,390,530</u>

See notes to financial statements

Brooklyn RISE Charter School

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	11	\$ 282,597	\$ 70,649	\$ 353,246	\$ 468,256	\$ 821,502
Instructional personnel	29	1,678,667	358,081	2,036,748	25,784	2,062,532
Total Personnel Services Costs	<u>40</u>	1,961,264	428,730	2,389,994	494,040	2,884,034
Fringe benefits and payroll taxes		381,801	83,461	465,262	96,175	561,437
Retirement		32,241	7,048	39,289	8,122	47,411
Legal fees		-	-	-	40,945	40,945
Accounting/audit services		-	-	-	42,000	42,000
Other purchased/professional/consulting services		151,178	37,795	188,973	280,392	469,365
Building and land rent / lease		901,777	225,444	1,127,221	198,921	1,326,142
Repairs and maintenance		73,828	18,457	92,285	16,286	108,571
Insurance		26,116	6,529	32,645	5,761	38,406
Utilities		48,586	12,147	60,733	10,718	71,451
Supplies and materials		171,982	42,995	214,977	-	214,977
Equipment/furnishings		7,154	1,788	8,942	-	8,942
Staff development		77,190	19,298	96,488	1,316	97,804
Marketing/recruitment		17,206	4,301	21,507	4,633	26,140
Technology		26,042	6,510	32,552	-	32,552
Student services		231,010	57,752	288,762	-	288,762
Office expense		796	199	995	75,473	76,468
Depreciation and amortization		148,039	37,010	185,049	32,656	217,705
Bad debt expenses		-	-	-	17,445	17,445
Other		664	166	830	31,566	32,396
Total Expenses		<u>\$ 4,256,874</u>	<u>\$ 989,630</u>	<u>\$ 5,246,504</u>	<u>\$ 1,356,449</u>	<u>\$ 6,602,953</u>

See notes to financial statements

Brooklyn RISE Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 660,800	\$ (964,682)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	220,071	217,705
Amortization of right of use asset, operating lease	1,432,234	1,158,661
Bad debt expense	-	17,445
Changes in operating assets and liabilities		
Grants and contracts receivable	(137,440)	855,393
Prepaid expenses	(153,417)	(15,125)
Accounts payable and accrued expenses	67,921	(185,998)
Accrued payroll and payroll taxes	67,457	50,604
Refundable advances	(14,300)	14,300
Operating lease liability	(1,475,591)	(923,377)
Net Cash from Operating Activities	667,735	224,926
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(30,731)	(564,456)
Net Change in Cash and Restricted Cash	637,004	(339,530)
CASH AND RESTRICTED CASH		
Beginning of year	95,246	434,776
End of year	\$ 732,250	\$ 95,246
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 1,568,847	\$ 1,035,958
ROU assets recognized upon adoption of new lease guidance	-	4,333,188

See notes to financial statements

Brooklyn RISE Charter School

Notes to Financial Statements
June 30, 2024 and 2023

1. Organization and Tax Status

Brooklyn RISE Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on November 6, 2018 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on November 6, 2018 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. The charter now expires on June 30, 2029. The School's mission is to build knowledge, habits and mindsets for academic success, ensuring all Kindergarten through fifth grade students are on the path to college. The School provided education to approximately 305 students in Kindergarten through fifth grade during the 2023-2024 academic year.

The School is related to Friends of Brooklyn RISE, Inc. a New York State not-for-profit corporation, by common management. There were no transactions with this entity during the years ended June 30, 2024 and 2023.

The New York City Department of Education provides free lunches and transportation directly to some of the School's students. Such costs are not included in these financial statements. The School covers a portion of the cost of lunches for children not entitled to the free lunches.

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 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.

Brooklyn RISE Charter School

Notes to Financial Statements
June 30, 2024 and 2023

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

Net Asset Presentation (continued)

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions as of June 30, 2024 and 2022.

Restricted Cash

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

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

	2024	2023
Cash	\$ 632,202	\$ 20,214
Restricted cash	100,048	75,032
	\$ 732,250	\$ 95,246

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 is reasonably assured, or the estimated useful life of the asset which is four years. 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 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.

Brooklyn RISE Charter School

Notes to Financial Statements
June 30, 2024 and 2023

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

Leases

The School leases space and determines if an agreement is a lease at inception. Operating leases are included in lease liability and right of use asset - operating lease ("ROU asset") on the accompanying statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. When leases do not provide an implicit borrowing rate, the School uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease and when it is reasonably certain that the School will exercise that option, such amounts are included in ROU asset and lease liability. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The School has lease agreements with lease and non-lease components, which are generally accounted for separately. The School's lease agreements do not contain any variable lease components.

Refundable Advances

The School records funds received before services are provided 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 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

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment expenses for the years ended June 30, 2024, and 2023 was \$34,806 and \$26,140.

Brooklyn RISE Charter School

Notes to Financial Statements
June 30, 2024 and 2023

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

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 services costs, fringe benefits and payroll taxes, and building and land rent/lease 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 examination 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 _____, 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. Property and Equipment

Property and equipment, net consists of the following at June 30,

	2024	2023
Furniture and fixtures	\$ 154,425	\$ 136,856
Computer equipment	323,748	310,586
Leasehold improvements	541,979	541,979
	1,020,152	989,421
Accumulated depreciation and amortization	(620,811)	(400,740)
	<u>\$ 399,341</u>	<u>\$ 588,681</u>

Brooklyn RISE Charter School

Notes to Financial Statements June 30, 2024 and 2023

5. 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	\$ 632,202	\$ 20,214
Grants and contracts receivable	225,965	88,525
	\$ 858,167	\$ 108,739

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 liquid instruments until it is required for operational use. 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 7).

6. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and restricted cash 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, 2024, approximately \$482,000 of cash maintained in excess of FDIC limit and in 2023, there was no cash in excess of FDIC limits.

7. 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 95% and 97% 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.

8. Commitment

On May 16, 2019, the School signed a sublease agreement with Clarimar Kids Corp. to lease office and classroom space under a non-cancelable lease and paid a security deposit in the amount of \$40,000. The School moved into this space on August 1, 2019 and the lease expired on July 31, 2022. The School paid a security deposit of \$160,399 for new office and classroom facilities to 222 45 VAEG LLC in anticipation of moving into a new facility during the 2022-2023 Academic year. However, the School never moved to this facility and is seeking a refund for the security deposit.

On April 8, 2022, the School signed a lease agreement with CA 522 Fulton LLC to lease office and classroom space and paid a security deposit in the amount of \$200,000. The lease term commenced on September 1, 2022 and is set to expire on August 31, 2025. The School is responsible for utilities, insurance, custodial services, and maintenance. The right of use asset and liability related to this lease was calculated on the present value of future payments over the life of the lease term.

Brooklyn RISE Charter School

Notes to Financial Statements June 30, 2024 and 2023

8. Commitment *(continued)*

ROU asset consist of the following at June 30,

	2024	2023
ROU asset	\$ 4,333,188	\$ 4,333,188
Accumulated amortization	2,590,895	1,158,661
	\$ 1,742,293	\$ 3,174,527
Weighted average remaining lease term	1.17 years	3 years
Weighted average discount rate	3.54%	3.54%

The future minimum lease payments under the current lease is as follows for the years ending June 30:

2025	\$ 1,688,443
2026	283,222
Total minimum lease payments	1,971,665
Present value discount	(37,445)
Present value of lease liability	1,934,220
Current portion	(1,651,414)
Lease liability, less current portion	\$ 282,806

Building land rent/lease expense for the years ended June 30, 2024 and 2023 was \$1,492,912 and \$1,326,142.

9. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits may 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.

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 RISE 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 RISE Charter School (the "School"), 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 _____, 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 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 organization'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 have not been identified.

Board of Trustees
Brooklyn RISE Charter School
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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 an instance 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.

_____, 2024

DRAFT
10-25-2024

[Brooklyn Rise Letterhead]

October 30, 2024

PKF O'Connor Davies, LLP
245 Park Avenue, 12th Floor
New York, NY 10167

This representation letter is provided in connection with your audits of the financial statements of Brooklyn RISE Charter School (the "School"), 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, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

Expenditures of federal awards were below the \$750,000 threshold in the years then ended June 30, 2024 and 2023, and we were not required to have an audit in accordance with *Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards ("Uniform Guidance")*, *Audits of States, Local Governments and Non-Profit Organizations and Government Auditing Standards*.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter, the following representations made to you during your audits:

Our Responsibilities

- We acknowledge that we have fulfilled our responsibilities for:
 - The preparation and fair presentation of the financial statements in accordance with US GAAP;
 - 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; and
 - The design, implementation, and maintenance of internal control to prevent and detect fraud.
- We understand that the term "fraud" refers to intentional acts by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements. Two types of intentional misstatements are relevant to your audits – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Fraudulent financial reporting involves intentional misstatements, including omissions of amounts or disclosures in financial

statements to deceive financial statement users. Misappropriation of assets involves the theft of an entity's assets.

- In regard to the tax preparation, assistance with preparation of financial statements and other non-attest services performed by you, we have:
 - Assumed all management responsibilities;
 - Designated members of management who have suitable skill, knowledge, or experience to oversee the services;
 - Evaluated the adequacy and results of the services performed; and
 - Accepted responsibility for the results of the services.
- We are further responsible for reviewing, accepting and processing the standard, adjusting, or correcting journal entries that you proposed during the course of your engagement. We confirm that we designated a suitably qualified individual who understands the nature and impact of the proposed entry to the financial statements, and we accept responsibility for the proposed entries that we authorized and processed.

Financial Statements

- The financial statements referred to above are fairly presented in conformity with US GAAP and include all disclosures necessary for such fair presentation. With respect to the financial statements, we specifically confirm that:
 - The School's accounting policies, and the practices and methods followed in applying them, are appropriate and are as disclosed in the financial statements.
 - There have been no changes during the period audited in the School's accounting policies and practices.
 - All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
 - The appropriateness and consistency of the measurement processes used by management in determining accounting estimates.
 - That the assumptions appropriately reflect management's intent and ability to carry out specific courses of action.
 - That the disclosures related to accounting estimates are complete and appropriate.
 - That no subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.
- The following, where they exist, have been appropriately disclosed to you and accounted for and/or disclosed in the financial statements in accordance with the requirements of US GAAP:
 - The identity of all related parties and related party relationships and transactions.
 - Material concentrations. We understand that concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which it is reasonably possible that events could occur which would significantly disrupt normal finances within the next year.
 - Guarantees, whether written or oral, under which the School is contingently liable, including guarantee contracts and indemnification agreements.
 - The effects of all known actual, possible, pending or threatened litigation, claims, and assessments.

- Significant common ownership or management control relationships, economic interests and/or financial interests in related entities, requiring disclosure.
- The School does not have any uncertain tax positions that require disclosure or recognition in the financial statements.
- We have evaluated events subsequent to the date of the financial statements through the date of this letter, and no such events have occurred which would require adjustment or disclosure in the financial statements.
- We have assessed the School's ability to continue as a going concern and have concluded that the School will be able to continue as a going concern for at least one year from the date of this letter.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - All documents and records provided electronically are accurate and complete reproductions of the original documents and records.
 - Access to all minutes of the meetings of trustees, or summaries of actions of recent meetings for which minutes were not yet prepared.
 - Communications from regulatory agencies concerning noncompliance with or deficiencies in, financial reporting practices.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the School from whom you determined it necessary to obtain audit evidence.
- We have disclosed to you our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- There are no deficiencies in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the School's ability to initiate, authorize, record, process, and report financial data reliably in accordance with US GAAP.
- We have no knowledge of any fraud or suspected fraud that affects the School and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the School's financial statements communicated by employees, former employees, regulators, or others.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

- The School has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- The School is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the School's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- We have a reasonable basis for the allocation of functional expenses.
- With respect to contributions:
 - Adequate controls are in place over the receipt and recording of contributions.
 - There were no unrecorded contributions or pledges at June 30, 2024 and 2023 that could materially affect the financial statements. In addition, we are unaware of any assets for which the School may be beneficiary as prescribed by probated wills or held in trusts by independent trustees at June 30, 2024 and 2023 which should be recorded in the financial statements.
- We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor restrictions to maintain an appropriate composition of assets needed to satisfy their restrictions.

Hosting Services

We acknowledge that electronic portals used during the audit are only a method of transferring data and the data may be deleted by you at any time.

We are responsible for maintaining our financial and non-financial information, licensing and hosting of any applications, and downloading and retaining anything you uploaded to such portal in a timely manner.

Chantal Zuniga, Interim Head of School

Benjamin Herbst, Board Treasurer