

Brooklyn Urban Garden Charter School

Audited Financial Statements

In Accordance with *Government Auditing Standards*

June 30, 2023

Brooklyn Urban Garden Charter School

Audited Financial Statements

June 30, 2023

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Independent Auditor's Report

To the Board of Trustees of
Brooklyn Urban Garden Charter School

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Brooklyn Urban Garden Charter School (the "School"), which comprise the statement of financial position as of June 30, 2023, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditor's 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 audit. 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 issued or available to be issued.

Auditor's 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 auditor's 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 GAAS 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 GAAS 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.

Report on Summarized Comparative Information

The financial statements of the School as of and for the year ended June 30, 2022, were audited by other auditors whose report dated October 19, 2022, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects with the audited financial statement from which it was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2023, 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.

Sax CPAs LLP

New York, NY
October 24, 2023

Brooklyn Urban Garden Charter School

Statement of Financial Position

At June 30, 2023
(With comparative totals at June 30, 2022)

	<u>6/30/23</u>	<u>6/30/22*</u>
ASSETS		
Cash and cash equivalents	\$ 4,518,060	\$ 1,138,650
Investments	-	2,816,456
Government grants receivable - per pupil funding	4,606	8,277
Government grants receivable - other	104,304	183,274
Prepaid expenses and other assets	25,362	116,909
Fixed assets, net	86,126	81,258
Security deposit	58,208	58,808
Operating lease right-of-use asset	15,268,851	-
Restricted cash	100,288	100,268
TOTAL ASSETS	<u>\$ 20,165,805</u>	<u>\$ 4,503,900</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 947,852	\$ 760,751
Operating lease liability	15,533,753	-
Total liabilities	<u>16,481,605</u>	<u>760,751</u>
NET ASSETS		
Without donor restrictions	3,664,350	3,726,008
With donor restrictions	19,850	17,141
Total net assets	<u>3,684,200</u>	<u>3,743,149</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,165,805</u>	<u>\$ 4,503,900</u>

* Reclassified for comparative purposes

The attached notes and auditor's report are an integral part of these financial statements

Brooklyn Urban Garden Charter School

Statement of Activities

For the Year ended June 30, 2023
(With comparative totals for the year ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 6/30/23	Total 6/30/22
PUBLIC SUPPORT AND REVENUE:				
Public school district revenue:				
Resident student enrollment	\$ 5,287,712	\$ -	\$ 5,287,712	\$ 5,053,200
Student with special education services	1,067,585	-	1,067,585	1,053,148
Subtotal public school district revenue	6,355,297	-	6,355,297	6,106,348
New York City rental assistance	1,035,727	-	1,035,727	963,171
Other government grants	471,466	-	471,466	530,056
Contributions	147,011	19,850	166,861	131,039
Program fees and other income	48,558	-	48,558	34,658
Interest income	109,464	-	109,464	10,799
Net assets released from restrictions	17,141	(17,141)	-	-
Total public support and revenue	8,184,664	2,709	8,187,373	7,776,071
Program services:				
Regular education	5,035,874	-	5,035,874	4,641,907
Special education	1,593,193	-	1,593,193	1,125,921
Total program services	6,629,067	-	6,629,067	5,767,828
Supporting services:				
Management and general	1,495,658	-	1,495,658	1,362,134
Fundraising	121,597	-	121,597	50,864
Total supporting services	1,617,255	-	1,617,255	1,412,998
Total expenses	8,246,322	-	8,246,322	7,180,826
Change in net assets	(61,658)	2,709	(58,949)	595,245
NET ASSETS, beginning of year	3,726,008	17,141	3,743,149	3,147,904
NET ASSETS, end of year	\$ 3,664,350	\$ 19,850	\$ 3,684,200	\$ 3,743,149

The attached notes and auditor's report are an integral part of these financial statements

Brooklyn Urban Garden Charter School

Statement of Functional Expenses

For the Year ended June 30, 2023
(With comparative totals for the year ended June 30, 2022)

	Program Services			Supporting Services		Total Supporting Services	Total Expenses 6/30/23	Total Expenses 6/30/22
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising			
Salaries	\$ 3,082,495	\$ 969,241	\$ 4,051,736	\$ 780,410	\$ 63,072	\$ 843,482	\$ 4,895,218	\$ 4,228,283
Payroll taxes and employee benefits	688,999	216,644	905,643	174,438	14,097	188,535	1,094,178	959,037
Total personnel costs	3,771,494	1,185,885	4,957,379	954,848	77,169	1,032,017	5,989,396	5,187,320
Professional fees	133,855	51,833	185,688	247,422	18,442	265,864	451,552	634,274
Occupancy and facility costs	863,082	271,383	1,134,465	218,509	17,660	236,169	1,370,634	937,188
Student and staff recruitment	34,260	10,772	45,032	-	-	-	45,032	61,074
Curriculum & classroom expenses	21,130	6,644	27,774	-	-	-	27,774	35,520
Supplies and equipment	16,840	5,295	22,135	2,590	209	2,799	24,934	98,370
Food services	15,792	4,966	20,758	3,998	323	4,321	25,079	25,264
Board & staff development	63,429	19,944	83,373	17,774	1,870	19,644	103,017	47,025
Insurance	37,779	11,879	49,658	9,565	773	10,338	59,996	54,000
Telephone & technology	33,518	10,539	44,057	8,486	686	9,172	53,229	30,035
Depreciation	29,280	9,207	38,487	7,412	599	8,011	46,498	42,965
Other	15,415	4,846	20,261	25,054	3,866	28,920	49,181	27,791
Total other than personnel costs	1,264,380	407,308	1,671,688	540,810	44,428	585,238	2,256,926	1,993,506
Total expenses	\$ 5,035,874	\$ 1,593,193	\$ 6,629,067	\$ 1,495,658	\$ 121,597	\$ 1,617,255	\$ 8,246,322	\$ 7,180,826

The attached notes and auditor's report are an integral part of these financial statements

Brooklyn Urban Garden Charter School

Statement of Cash Flows

For the Year ended June 30, 2023
(With comparative totals for the year ended June 30, 2022)

	6/30/23	6/30/22*
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (58,949)	\$ 595,245
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	46,498	42,965
Changes in assets and liabilities		
Government grants receivable - per pupil funding	3,671	(6,014)
Government grants receivable - other	78,970	(112,693)
Prepaid expenses and other assets	91,547	(17,466)
Security deposit	600	44,400
Operating lease right-of-use asset and liability	264,902	-
Accounts payable and accrued expenses	187,101	18,962
Deferred revenue	-	(2,745)
Deferred rent	-	(27,493)
Total adjustments	673,289	(60,084)
Net cash provided by operating activities	614,340	535,161
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(51,366)	(45,143)
Purchase of investments (including reinvested interest)	(1,807)	(17,005)
Proceeds from maturities	2,818,263	-
Net cash provided by/(used for) investing activities	2,765,090	(62,148)
Net increase in cash and cash equivalents, and restricted cash	3,379,430	473,013
Cash, cash equivalents and restricted cash, <i>beginning of year</i>	1,238,918	765,905
Cash, cash equivalents and restricted cash, <i>end of year</i>	\$ 4,618,348	\$ 1,238,918
Cash, cash equivalents and restricted cash consists of:		
Cash and cash equivalents	\$ 4,518,060	\$ 1,138,650
Restricted cash	100,288	100,268
Total cash, cash equivalents and restricted cash	\$ 4,618,348	\$ 1,238,918
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for taxes	\$ -	\$ -

*Reclassified for comparative purposes

The attached notes and auditor's report are an integral part of these financial statements

Brooklyn Urban Garden Charter School

Notes to Financial Statements

June 30, 2023

Note 1 - Organization

Brooklyn Urban Garden Charter School (the "School") is an educational corporation that operates as a charter school in Brooklyn, New York. The mission of the School is to provide a hands-on, interdisciplinary education to young adolescents of all abilities and backgrounds, with a focus on real-world problem solving and the exploration of environmental sustainability. The School provides a full range of educational services appropriate for the sixth, seventh and eighth grade levels. The School completed the 2022-2023 fiscal year with an average enrollment of approximately 300 students. The School is a publicly funded, privately managed school, which is independent of the New York City Department of Education ("NYCDOE").

On March 12, 2018, the Board of Regents and the Board of Trustees of the University of the State of New York, for and on behalf of the State Education Department, granted the School a renewal of their original charter valid through June 30, 2022. On May 16, 2022, the School's charter was renewed again through June 30, 2026.

The School has the following programs:

- Regular Education – Instruction provided to all students.
- Special Education – Instruction that is specially designed to meet the unique needs of students with disabilities.

The School has been notified by the Internal Revenue Service that it is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. The School's main source of revenue is public school district revenue and government grants.

The School is affiliated with Friends of Brooklyn Urban Garden Charter School ("Friends") through the use of shared members of their respective Boards of Directors. Friends is a not-for-profit corporation established to support the School and function as the fundraising arm of the School. Friends does not meet the requirements for consolidation because the School does not exercise control over them.

Note 2 - Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

b. Recently Adopted Accounting Standards

Effective July 1, 2022, the School adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The School elected transition relief that allows entities, in the period of adoption, to present the current period under FASB's Accounting Standards Codification ("ASC") 842 and the comparative period under FASB ASC 840. It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases.

Brooklyn Urban Garden Charter School

Notes to Financial Statements

June 30, 2023

Note 2 - Significant Accounting Policies - Continued

b. Recently Adopted Accounting Standards - Continued

As a result of implementing FASB ASU No. 2016-02, the School recognized right-of-use ("ROU") assets of \$16,151,654 and lease liabilities totaling \$16,151,654 in its statement of financial position as of the July 1, 2022 commencement date of their lease for space. The School does not report a ROU asset or lease liability for its equipment leases due to the immaterial nature of the ROU asset and lease liability as of June 30, 2023. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

c. Basis of Presentation

The School reports information regarding their financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* - represents those resources for which there are no restrictions by donors as to their use.
- *Net Assets With Donor Restrictions* - represents those resources, the uses of which have been restricted by donors for a specific purpose or the passage of time.

d. Revenue Recognition

The School follows the requirements of the FASB's ASC 958-605 for recording contributions, which are recognized when a contribution becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

The School evaluates whether contributions are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for the School to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists. Conditional grants that have not been recognized amounted to \$228,000 and \$535,000 at June 30, 2023 and June 30, 2022, respectively. The grants are conditional upon achieving certain performance goals and incurring qualifying expenditures.

The School's public-school district revenue and other government grants are primarily conditional, non-exchange transactions and fall under FASB ASC 958-605. Revenue from these transactions is recognized based on rates established by the School's funding sources and when performance related outcomes are achieved, or qualifying expenditures are incurred as well as other conditions under the agreements are met.

Brooklyn Urban Garden Charter School

Notes to Financial Statements

June 30, 2023

Note 2 - Significant Accounting Policies - Continued

d. Revenue Recognition - Continued

Contributions and grants expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value using a risk adjusted discounted rate. As of June 30, 2023 and June 30, 2022, all unconditional promises to give are due within one year. Pledges are reviewed for collectability. Based on knowledge of specific donors and factoring in historical experience, no allowance for doubtful accounts exists as of June 30, 2023 or June 30, 2022.

The School also follows the requirements of FASB ASC 606 for recognizing revenue from contracts with customers. The School receives program fees from students for school activities, such as field trips. This is classified as program fee income and recognized as revenue when the activity takes place, and the performance obligation is considered to be met. Fees that have not been collected at year end are reflected as fees receivable. Amounts collected in advance are recognized as deferred revenue.

e. Cash and Cash Equivalents

Checking and money market accounts with local banks and highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash and cash equivalents for purposes of the accompanying statement of cash flows. Cash maintained in escrow per requirements of the NYCDOE are treated as restricted cash.

f. Concentration of Credit Risk

Financial instruments which potentially subject the School to a concentration of credit risk consist of checking, savings money market accounts, and investment securities which have been placed with financial institutions that management deems to be creditworthy. From time-to-time, cash balances may be in excess of insurance levels. At year end and at various times throughout the year, balances were in excess of insured amounts. The School has not suffered any losses due to bank failure.

g. Fair Value Measurement

Fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the School has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are not observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significance to the overall fair value measurement.

Brooklyn Urban Garden Charter School

Notes to Financial Statements

June 30, 2023

Note 2 - Significant Accounting Policies – Continued

h. Investments

Investments have been recorded at fair value. Interest earned on investments is included in interest income on the statement of activities. All investments were liquidated during 2023.

i. Fixed Assets

Fixed assets that the School retains title to that exceed a dollar threshold of \$1,000, and which benefit future periods are capitalized at cost or at the fair value at the date of gift, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

Computers and equipment - *3-year life*

Furniture and fixtures - *5-year life*

Leasehold improvements - *lower of useful life of asset and life of lease*

j. Leases

The School determines if an arrangement is or contains a lease at inception. Leases are included in ROU assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The School does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option.

k. In-kind Contributions

Donated goods and services that create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind, are recognized at fair value.

Board members and other individuals volunteer their time and perform a variety of services that assists the School. These services do not meet the criteria of in-kind services and have not been recorded in the financial statements.

l. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the School.

Brooklyn Urban Garden Charter School

Notes to Financial Statements

June 30, 2023

Note 2 - Significant Accounting Policies – Continued

l. Functional Allocation of Expenses - Continued

Salaries were allocated using time and effort as the basis. The following costs were allocated using the salary allocation as the basis:

- Payroll taxes and employee benefits
- Occupancy and facility costs
- Supplies and equipment
- Food services
- Board & staff development
- Insurance
- Telephone & technology
- Depreciation

Certain program expenses have been allocated between Regular Education and Special Education based on student FTE rates. All other expenses have been charged directly to the applicable program or supporting services.

m. Advertising costs

Advertising costs are expensed as incurred.

n. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

o. Contingencies

Government contracts are subject to audit by the grantor. Management does not believe that any audits, if they were to occur, would result in material disallowed costs, and has not established any reserves. Any disallowed costs would be recorded in the period notified.

p. Accounting for Uncertainty of Income Taxes

The School does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2020 and later are subject to examination by applicable taxing authorities.

Brooklyn Urban Garden Charter School

Notes to Financial Statements

June 30, 2023

Note 2 - Significant Accounting Policies – Continued

q. Summarized Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year-ended June 30, 2022 from which the summarized information was derived. Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Note 3 - Investments

Investments at June 30, 2022 consisted of certificates of deposit, which were considered to be level 2 as described in Note 2g. The certificates of deposit were valued at the original cost-plus accrued interest, which approximated fair value. During the year ended June 30, 2023, these certificates of deposit matured, and the proceeds were transferred to the School's cash accounts.

Note 4 - Government Grants Receivable – Per Pupil Funding

Activity related to the contract with the NYCDOE can be summarized as follows:

	<u>6/30/23</u>	<u>6/30/22</u>
Beginning grants receivable	\$ 8,277	\$ 2,263
Funding based on allowance FTE's	6,355,297	6,106,348
Advances receivable	<u>(6,358,968)</u>	<u>(6,100,334)</u>
Ending grants receivable	<u>\$ 4,606</u>	<u>\$ 8,277</u>

In addition to per pupil funding, the School was entitled to receive a rent subsidy that is calculated at the lower of 30% of the per pupil amount or actual lease costs as approved by the NYCDOE. The School recognized revenue of \$1,035,727 and \$963,171 during the years ended June 30, 2023 and 2022, respectively as a subsidy for payments made to Friends, a related party, under the sublease agreement referred to in Note 6.

Brooklyn Urban Garden Charter School

Notes to Financial Statements

June 30, 2023

Note 5 - Fixed Assets

Fixed assets consist of the following:

	<u>6/30/23</u>	<u>6/30/22</u>
Computers and equipment	\$ 419,555	\$ 395,120
Furniture and fixtures	148,411	121,480
Leasehold improvements	<u>316,405</u>	<u>316,405</u>
	884,371	833,005
Less: accumulated depreciation	<u>(798,245)</u>	<u>(751,747)</u>
Total fixed assets, net	<u>\$ 86,126</u>	<u>\$ 81,258</u>

Note 6 - Operating Lease Right-of-Use Asset and Operating Lease Liability

The School evaluated current contracts to determine which met the criteria of a lease under FASB ASC 842. Starting July 1, 2022, the School entered into a non-cancelable sublease agreement with Friends for space, which expires on June 30, 2037. The lease term includes a five-year extension, available at the School's option, which is reasonably certain to be exercised. Therefore, the payments associated with the extension are included in the ROU asset and the lease liability recognized as of June 30, 2023. In addition, the School guaranteed the original underlying lease between Friends and the landlord. The maximum potential amount that the School can be required to pay on this lease is \$9,500,000 at June 30, 2023. The School's sublease with Friends has been determined to be an operating lease.

The ROU asset represents the School's right to use the underlying asset for the lease term, and the lease liabilities represent the School's obligation to make lease payments arising from this lease. The ROU asset and lease liability were calculated based on the present value of future lease payments over the lease terms. As of June 30, 2023, the weighted-average remaining lease term for the School's operating leases was approximately 14 years. The School has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2023 was 3.12%.

For the year ended June 30, 2023, total operating lease cost was \$1,368,995. Cash paid for operating leases for the year ended June 30, 2023 was \$1,104,093. There were no noncash investing and financing transactions related to leasing other than the right-of-use asset obtained in exchange for the lease liability recorded at the date of commencement.

Brooklyn Urban Garden Charter School

Notes to Financial Statements

June 30, 2023

Note 6 - Operating Lease Right-of-Use Asset and Operating Lease Liability - Continued

Future maturities of lease liabilities are presented in the following table:

Year ending:		
June 30, 2024	\$	1,137,216
June 30, 2025		1,171,332
June 30, 2026		1,206,472
June 30, 2027		1,242,666
June 30, 2028		1,279,946
Thereafter		<u>13,393,206</u>
Total lease payments		19,430,838
Less present value discount		<u>(3,897,085)</u>
Total lease obligations		<u><u>\$ 15,533,753</u></u>

Note 7 - Restricted Cash - Escrow

An escrow account has been established to meet the requirement of the NYCDOE. The purpose of this account is to ensure sufficient funds are available for an orderly dissolution or transition process in the event of termination of the charter or school closure.

Note 8 - Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions:

June 30, 2023				
	Balance 7/1/22	Contributions	Released from Restrictions	Balance 6/30/23
Watershed education project	\$ -	\$ 9,850	\$ -	\$ 9,850
School furnishings	12,000	10,000	(12,000)	10,000
Sustainability project	5,141	-	(5,141)	-
Total	<u>\$ 17,141</u>	<u>\$ 19,850</u>	<u>\$ (17,141)</u>	<u>\$ 19,850</u>

June 30, 2022				
	Balance 7/1/21	Contributions	Released from Restrictions	Balance 6/30/22
Gardening program	\$ 7,378	\$ -	\$ (7,378)	\$ -
School furnishings	-	22,000	(10,000)	12,000
Sustainability project	36,577	10,141	(41,577)	5,141
Total	<u>\$ 43,955</u>	<u>\$ 32,141</u>	<u>\$ (58,955)</u>	<u>\$ 17,141</u>

Brooklyn Urban Garden Charter School

Notes to Financial Statements

June 30, 2023

Note 9 - Significant Concentrations

The School is dependent upon grants from the NYCDOE to carry out its operations. Approximately 91% and 92% of the School's total public support and revenue was received from the NYCDOE for the years ended June 30, 2023 and 2022, respectively. If the NYCDOE were to discontinue funding, this would have a severe economic impact on the School's ability to operate.

Note 10 - 401(K) Plan

The School has a retirement plan under IRS Section 401(k). All employees aged 21 or older are eligible to participate. Eligible employees may elect to defer a portion of their salary and contribute to this plan up to statutory amounts. For each pay period, the School matches 100% of eligible compensation contributed into the plan, up to the first 3%. The School contributed \$84,613 and \$91,604 toward the plan for the years ended June 30, 2023 and 2022, respectively.

Note 11 - Availability and Liquidity

The following reflects the School's financial assets at June 30, 2023 that are available to meet cash needs for general expenditures within one year:

Financial assets at year-end:		
Cash and cash equivalent	\$ 4,518,060	
Government grants receivable - per pupil funding	4,606	
Government grants receivable - other	<u>104,304</u>	
Total financial assets		\$ 4,626,970
Less amounts not available for general expenditures:		
Donor contributions restricted to specific purposes		<u>(19,850)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$ 4,607,120</u>

The School maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management, the School operates its programs within a board approved budget and relies on grants to fund its operations and program activities.

Note 12 - Subsequent Events

Subsequent events have been evaluated through October 24, 2023, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.



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 the Board of Trustees of
Brooklyn Urban Garden 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 Urban Garden Charter School (the "School"), which comprise the statement of financial position as of June 30, 2023, 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 24, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Sax CPAs LLP

New York, NY
October 24, 2023

Brooklyn Urban Garden Charter School

Schedule of Findings and Questioned Costs

June 30, 2023

Current Year:

None

Prior Year:

None