
BROOKLYN KINDERGARTEN SOCIETY

Financial Statements and Single Audit Reports

For the year ended June 30, 2024
(with comparative totals for 2023)

Brooklyn Kindergarten Society
Financial Statements
June 30, 2024

Contents	Page
Independent Auditor's Report.....	1-3
Statement of Financial Position	4
Statement of Activities.....	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-17
Supplementary Information	
Schedule of Expenditures of Federal Awards.....	18
Notes to the Schedule of Expenditures of Federal Awards	19
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	20-21
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance	22-24
Schedule of Findings and Questioned Costs.....	25-26

Independent Auditor's Report

To the Board of Directors of
Brooklyn Kindergarten Society

Report on the Audit for the Financial Statements

Opinion

We have audited the accompanying financial statements of Brooklyn Kindergarten Society ("BKS") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, including the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of BKS as of June 30, 2024, and the changes in its 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 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BKS 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 BKS's ability to continue as a going concern within one year after the date that the financial statements are 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 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 BKS'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 BKS'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.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2025 on our consideration of BKS'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 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 Kindergarten Society's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited BKS's June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 22, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

NCheng LLP

New York, New York
March 31, 2025

BROOKLYN KINDERGARTEN SOCIETY
Statement of Financial Position
As of June 30, 2024 2024
(with comparative totals for 2023)

	2024	2023*
<u>Assets</u>		
Cash	\$ 5,519,444	\$ 4,783,814
Investments	3,631,708	3,181,023
Government grants receivable	1,201,425	1,000,084
Contributions receivable	75,000	-
Prepaid expenses	63,395	62,325
Security deposits	32,375	32,375
Right-of-use assets - operating leases	1,796,131	1,148,635
 Total assets	 <u><u>\$ 12,319,478</u></u>	 <u><u>\$ 10,208,256</u></u>
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 501,852	\$ 553,659
Government grants advances	3,286,179	2,816,146
Lease liability - operating leases	1,889,663	1,234,895
 Total liabilities	 <u><u>5,677,694</u></u>	 <u><u>4,604,700</u></u>
 <u>Net assets</u>		
Without donor restrictions	6,522,217	5,603,556
With donor restrictions	119,567	-
 Total net assets	 <u><u>6,641,784</u></u>	 <u><u>5,603,556</u></u>
 Total liabilities and net assets	 <u><u>\$ 12,319,478</u></u>	 <u><u>\$ 10,208,256</u></u>

* Reclassified for comparative purposes

The accompanying notes are an integral part of these financial statements.

BROOKLYN KINDERGARTEN SOCIETY

Statement of Activities

For the year ended June 30, 2024 2024
(with comparative totals for 2023)

	Without donor restrictions	With donor restrictions	2024	2023*
<u>Revenue and support</u>				
Government grants	\$ 8,114,904	\$ -	\$ 8,114,904	\$ 6,826,920
Contributions	89,170	250,000	339,170	682,178
Special event income, net of direct expenses	515,640	-	515,640	133,546
Parent fees	2,661	-	2,661	3,011
Other income	6,698	-	6,698	15,088
Total revenue and support before releases	8,729,073	250,000	8,979,073	7,660,743
Net assets released from restrictions	130,433	(130,433)	-	-
Total support and revenue	8,859,506	119,567	8,979,073	7,660,743
<u>Expenses</u>				
<u>Program services</u>				
Child care centers	5,687,213	-	5,687,213	5,950,835
Food program	688,323	-	688,323	821,298
Total program services	6,375,536	-	6,375,536	6,772,133
<u>Supporting services</u>				
Management and general	1,741,297	-	1,741,297	753,448
Fundraising	274,696	-	274,696	231,072
Total supporting services	2,015,993	-	2,015,993	984,520
Total program and supporting services	8,391,529	-	8,391,529	7,756,653
Change in net assets from operations	467,977	119,567	587,544	(95,910)
Nonoperating activities:				
Investment return, net	450,684	-	450,684	313,386
Change in net assets	918,661	119,567	1,038,228	217,476
Net assets, beginning of year	5,603,556	-	5,603,556	5,386,080
Net assets, end of year	\$ 6,522,217	\$ 119,567	\$ 6,641,784	\$ 5,603,556

* Reclassified for comparative purposes

The accompanying notes are an integral part of these financial statements.

BROOKLYN KINDERGARTEN SOCIETY

Statement of Functional Expenses

For the year ended June 30, 2024

(with comparative totals for 2023)

	Program Services			Supporting Services			Total Expenses	
	Child Care Centers	Food Program	Total Program Services	Management and General	Fundraising	Total Supporting Services	6/30/24	6/30/23*
Salaries	\$ 3,460,516	\$ 337,534	\$ 3,798,050	\$ 765,032	\$ 30,103	\$ 795,135	\$ 4,593,185	\$ 4,208,598
Payroll taxes and fringe benefits	839,963	81,929	921,892	186,887	7,307	194,194	1,116,086	1,006,474
Total personnel costs	4,300,479	419,463	4,719,942	951,919	37,410	989,329	5,709,271	5,215,072
Classroom supplies and equipment	83,652	-	83,652	-	-	-	83,652	112,842
Professional fees	417,388	11,731	429,119	461,379	105,242	566,621	995,740	1,107,096
Food and related expenses	11,848	189,072	200,920	-	-	-	200,920	236,563
Occupancy	606,849	49,305	656,154	115,689	4,386	120,075	776,229	699,234
Information technology	53,914	5,259	59,173	11,919	469	12,388	71,561	61,223
Office supplies/postage/courier	48,070	4,424	52,494	10,028	395	10,423	62,917	63,224
Professional development	50,361	-	50,361	-	-	-	50,361	8,293
Event expenses	-	-	-	-	169,350	169,350	169,350	73,739
Child and parent activities	14,021	-	14,021	-	-	-	14,021	4,680
Advertising and marketing	33,313	3,152	36,465	7,143	281	7,424	43,889	44,326
Telephone	24,058	2,347	26,405	5,318	209	5,527	31,932	66,742
Other	43,260	3,570	46,830	9,975	5,291	15,266	62,096	59,937
Bad debt	-	-	-	208,372	-	208,372	208,372	40,319
Total expenses	5,687,213	688,323	6,375,536	1,781,742	323,033	2,104,775	8,480,311	7,793,290
Less: Direct costs of special events netted with revenue	-	-	-	-	(48,337)	(48,337)	(48,337)	-
Less: Investments expenses netted with investment return	-	-	-	(40,445)	-	(40,445)	(40,445)	(36,637)
Total functional expense	<u>\$ 5,687,213</u>	<u>\$ 688,323</u>	<u>\$ 6,375,536</u>	<u>\$ 1,741,297</u>	<u>\$ 274,696</u>	<u>\$ 2,015,993</u>	<u>\$ 8,391,529</u>	<u>\$ 7,756,653</u>

* Reclassified for comparative purposes

The accompanying notes are an integral part of these financial statements.

BROOKLYN KINDERGARTEN SOCIETY**Statement of Cash Flows**

For the year ended June 30, 2024 2024

(with comparative totals for 2023)

	2024	2023*
Cash flows from operating activities		
Changes in net assets	\$ 1,038,228	\$ 217,476
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Change in operating lease right-of-use asset and liability	7,272	86,260
Net realized and unrealized gains	(410,998)	(189,059)
Change in government grants receivable	(201,341)	5,944,389
Change in contributions receivable	(75,000)	-
Change in prepaid expenses and other expenses	(1,070)	(31,172)
Change in accounts payable and accrued expenses	(51,807)	(133,804)
Change in government grant advances	470,033	(1,686,721)
Change in deferred rent payable	-	(72,882)
Net cash provided by operating activities	<u>775,317</u>	<u>4,134,487</u>
Cash flows from investing activities		
Purchases of investments (including reinvestment of income)	(1,932,877)	(1,151,503)
Sale of investments	<u>1,893,190</u>	<u>1,027,176</u>
Net cash used in investing activities	<u>(39,687)</u>	<u>(124,327)</u>
Cash flows from financing activities		
Payments on line of credit	<u>-</u>	<u>(500,130)</u>
Net cash used in financing activities	<u>-</u>	<u>(500,130)</u>
Net change in cash	735,630	3,510,030
Cash, beginning of year	<u>4,783,814</u>	<u>1,273,784</u>
Cash, end of year	<u><u>\$ 5,519,444</u></u>	<u><u>\$ 4,783,814</u></u>

* Reclassified for comparative purposes

The accompanying notes are an integral part of these financial statements.

BROOKLYN KINDERGARTEN SOCIETY

Notes to the Financial Statements

June 30, 2024

Note 1 Organization and nature of activities

Founded in 1891, the Brooklyn Kindergarten Society (“BKS”) has dedicated itself to providing high-quality early childhood education to children from low-income families for more than a century. Since our founding, BKS has been committed to developing innovative solutions to the paradigm concerning NYC’s ever-changing population of poor children and their families.

BKS community-based preschools provide attentive, well-trained teachers, evidence-based curriculum, classrooms designed for creative play, nutritious meals, parenting instruction, health services, safe outdoor play spaces, and English language instruction for immigrant parents. Our preschools serve more than 400 children, ages two to five years old, and are located in Crown Heights, Bedford-Stuyvesant, and Brownsville. BKS sets itself apart from other providers by offering children developmentally appropriate experiential activities including STEM education, Suzuki violin lessons and bi-lingual movement classes. BKS operates seven early childhood education centers: Nat Azarow Children’s Center, Brevoort Children’s Center, Sumner Children’s Center, Edwards L. Cleaveland Children’s Center, Tompkins Children’s Center, and Howard Children’s Center. Additionally, BKS operates a 3K and UPK program on behalf of the Department of Education at Weeksville Garden Children’s Center.

BKS has strived to stop the cycle of poverty where it does the most damage - in early childhood. Although two out of three children enter BKS with environmentally-based developmental and language delays, BKS reverses these impediments. 91% of BKS children met or exceeded age-appropriate levels in academic and social-emotional development by the end of year, showing a growth of 35% over the course of the program year.

BKS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Note 2 Summary of significant accounting policies

Basis of accounting. The financial statements of BKS have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Reclassifications. Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financials. These reclassifications have no effect on the changes in net assets.

Comparative financial information. The amounts shown for the year ended June 30, 2023 in the accompanying financial statements are included to provide a basis for comparison with 2024 and present summarized totals only. Accordingly, the 2023 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with BKS’s financial statements for the year ended June 30, 2023, from which the summarized information was derived.

BROOKLYN KINDERGARTEN SOCIETY

Notes to the Financial Statements

June 30, 2024

Note 2 Summary of significant accounting policies – (continued)

Financial statements presentation. BKS reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of BKS.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of BKS or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Revenue recognition. BKS follows the requirements of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-605 Not-for-Profit Entities – Revenue Recognition for recording contributions, which are recorded when considered unconditional in nature. Contributions are recorded in one of the classes of net assets described 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 are received, they are classified in the class of net assets without donor restrictions.

The BKS records unconditional promises to give as revenue in the period received at net realizable value, if expected to be received within one year or at fair value based on market conditions using the income approach, if expected to be received in more than one year.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

Government contracts received by the BKS are primarily conditional, non-exchange transactions and fall under the scope of FASB ASC 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance-related outcomes are achieved, and other conditions under the agreements are met. Payments received in advance of the conditions being met are recorded as deferred revenue.

Management assesses the collectability of government contract receivables and contribution receivables based upon historical trends and experience with donors and grantors. Based on that review, management has concluded that all receivables are expected to be collected within one year. As such, no allowance for uncollectible accounts was deemed necessary at June 30, 2024 and 2023, respectively.

BROOKLYN KINDERGARTEN SOCIETY

Notes to the Financial Statements

June 30, 2024

Note 2 Summary of significant accounting policies – (continued)

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.

Concentrations of credit risk. BKS maintains cash in bank deposits which, at times, exceed the current insured amount under the Federal Deposit Insurance Corporation (“FDIC”). As of June 30, 2024 and 2023, BKS’s cash balance exceeded the current insured amount under FDIC by approximately \$5,269,244 and \$4,724,050, respectively. BKS has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk therein.

Investments. Investments are recorded at fair value in the statement of financial position. Investment returns, consisting of dividends, interest, realized and unrealized gains and losses, are reported net of investment advisory and management fees in the statement of activities.

Fair value measurements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the least priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the assets or liabilities;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Donated services. Donated services are required to be recognized if they create or enhance nonfinancial assets, or require specialized skills, are performed by those that possess those skills and would have been purchased if not donated. Board members and other individuals volunteer their time and perform a variety of tasks that assist the Organization. These services do not meet the criteria to be recorded and have not been included in the financial statements.

BROOKLYN KINDERGARTEN SOCIETY

Notes to the Financial Statements

June 30, 2024

Note 2 Summary of significant accounting policies – (continued)

Fixed assets. Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which are as follows:

	Estimated useful life (years)
Furniture and fixtures	7 Years
Leasehold improvements	Term of remaining lease
Equipment	5 Years

Functional allocation of expenses. The costs of providing various programs and activities have been summarized on a functional basis in the statement of functional expenses. Directly identifiable expenses are charged to the specific program or supporting service. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Significant expenses are allocated as follows: salaries and professional fees are allocated based on time and effort as the basis. Payroll taxes, fringe benefits, office expenses, information technology, and occupancy were allocated using salaries allocation as the basis.

Advertising costs. Advertising costs are expensed as incurred.

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, if it is probable that a liability has been incurred.

Leases. BKS determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (“ROU”) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities represent the present value of future minimum lease payments over the lease term. ROU assets also include any prepaid or accrued rent. The change in operating lease ROU assets and lease liabilities on the statement of cash flows includes amortization of the ROU asset, cash payments for leases and accretion of the discounted lease liability. Operating lease expense is recognized on a straight-line basis over the lease term.

BKS does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Payments for these 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. These options are included in the lease term when it is reasonably certain that BKS will exercise the option.

BROOKLYN KINDERGARTEN SOCIETY**Notes to the Financial Statements**

June 30, 2024

Note 2 Summary of significant accounting policies – (continued)

Income taxes. BKS is exempt from income taxes under 501(c)(3) of the Internal Revenue Code. BKS has analyzed tax positions taken for filing with the Internal Revenue Service and state jurisdictions where it operates. BKS does not anticipate any significant uncertain tax positions that would require recognition in the financial statements. Periods ending June 30, 2021 and subsequent remain subject to examination by the taxing authorities.

Recently adopted accounting pronouncements. On July 1, 2023, BKS adopted FASB Accounting Standards Update (“ASU”) 2016- 13, *Financial Instruments – Credit Losses* (Topic 326). Financial assets, which potentially subject BKS to credit losses, consist primarily of program fees receivables. Expected losses are recorded to an allowance for credit losses valuation account that is net against the corresponding asset to present the net amount expected to be collected on the financial asset. The credit loss allowance is determined through analysis of the financial assets and assessments of risk that are based on historical trends and evaluation of the impact of current and projected economic conditions.

Based on the analysis performed on the open accounts receivable aging and detail analysis of the customers, BKS did not record an allowance for bad debt as of June 30, 2024. The impact of the adoption was not considered material to the financial statements.

Note 3 Investments

Investment consists of the following components for the years ended June 30, 2024 and 2023:

June 30, 2024				
	Level 1	Level 2	Level 3	Total
Equities	\$ 2,316,258	\$ -	\$ -	\$ 2,316,258
Fixed income	1,050,745	-	-	1,050,745
Money markets	264,705	-	-	264,705
Total	<u>\$ 3,631,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,631,708</u>
June 30, 2023				
	Level 1	Level 2	Level 3	Total
Equities	\$ 2,134,718	\$ -	\$ -	\$ 2,134,718
Fixed income	801,896	-	-	801,896
Money markets	244,409	-	-	244,409
Total	<u>\$ 3,181,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,181,023</u>

BROOKLYN KINDERGARTEN SOCIETY**Notes to the Financial Statements**

June 30, 2024

Note 3 Investments – (continued)

Investment income consists of the following:

	2024	2023
Dividends and interest	\$ 80,131	\$ 62,558
Realized gains/losses	201,311	(3,008)
Unrealized gains	209,687	290,473
Investment management fees	(40,445)	(36,637)
Investment return, net	<u>\$ 450,684</u>	<u>\$ 313,386</u>

Note 4 Leases

BKS's leases office space in Brooklyn, NY for its head office under a lease agreement expiring November 30, 2031. BKS is required to pay all executory costs (utilities, property taxes, maintenance and insurance). Lease payments have an escalating fee schedule wherein the monthly payment increases approximately 1%-2% annually. Termination of the lease is generally prohibited unless there is a violation under the lease agreement. Any renewal options are excluded from the calculation of lease liabilities unless exercising the renewal option is reasonably assured. The lease agreements do not contain residual value guarantees or material restrictive covenants.

On January 1, 2024, BKS entered into lease agreements with the New York City Housing Authority for office space at 6 locations where BKS operates its child care centers. The leases are for 5 years each and contain optional term extensions. The agreements generally require BKS to pay certain costs such as common maintenance charges, insurance, utilities, and repairs.

The lease costs and other required information for the years ended June 30, 2024 and 2023, is as follows:

	2024	2023
Lease costs		
Operating lease costs	\$ 239,271	\$ 155,577
Short-term lease costs	<u>9,912</u>	<u>139,633</u>
Total lease costs	<u>\$ 249,183</u>	<u>\$ 295,210</u>

BROOKLYN KINDERGARTEN SOCIETY**Notes to the Financial Statements**

June 30, 2024

Note 4 Leases – (continued)

Other information

Cash paid for amounts included in the
measurement of lease liabilities:

Operating cash flows from operating leases	\$ 284,348
Weighted-average remaining lease term	
Operating leases	6.21 years
Weighted-average discount rate	
Operating leases	3.31%

Future minimum lease payments under these leases are as follows:

For the year ending June 30,:

2025	\$ 340,830
2026	345,469
2027	350,247
2028	355,168
2029	267,137
Thereafter	<u>363,894</u>
Total future undiscounted lease payments	2,022,745
Less: present value discount	<u>(133,082)</u>
Operating lease liabilities	<u>\$ 1,889,663</u>

Note 5 Line of credit

BKS has a line of credit in the amount of \$1,000,000. The line bears an interest rate of 3% per annum plus adjusted Secured Overnight Financing Rate ("SOFR"), which was 9.92% at June 30, 2024. As of June 30, 2024 and 2023, there was no balance outstanding for both year. The credit line maturity date is April 8, 2025.

BROOKLYN KINDERGARTEN SOCIETY**Notes to the Financial Statements**

June 30, 2024

Note 6 Net assets with donor restrictions

Net assets with donor restrictions for the year ended June 30, 2024 are as follows:

	Beginning balance 7/1/23	Additions	Releases	Ending balance 6/30/24
Purpose Restricted				
Staffing at Sensory Gym	\$ -	\$ 100,000	\$ (55,433)	\$ 44,567
Time Restricted	-	150,000	(75,000)	75,000
Total net assets with donor restrictions	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ (130,433)</u>	<u>\$ 119,567</u>

Note 7 Retirement plan

BKS has a retirement plan under Section 401(k) of the Internal Revenue Code. The plan covers all employees who are at least 21 years of age, have completed a 90-day waiting period with BKS, and are not part of a separate collective bargaining agreement ("Local 95"). Eligible employees voluntarily contribute up to the maximum allowable by law and the plan. BKS does not match employee contributions under this plan.

In addition, BKS employees participate in a defined benefit retirement plan (pension). The NYC ACS pension plan covers employees who are at least 21 years of age and are not part of Local 95. Local 95 has its own pension plan. Employees are not required to make contributions under either plan. Eligible employees are 100% vested in the plans upon completion of five years of service. BKS contributes the designated amounts for privately-funded employees under the ACS plan and all employees under Local 95. Combined amounts expensed were \$3,008 and \$30,445 in 2024 and 2023, respectively.

Note 8 Significant concentrations

BKS derives its income primarily from reimbursements from government funding sources and from donations and grants. Approximately 73% and 80% of total support was derived from New York City Department of Education for the years ended June 30, 2024 and 2023, respectively.

BROOKLYN KINDERGARTEN SOCIETY**Notes to the Financial Statements**

June 30, 2024

Note 9 Liquidity and availability

Financial assets available within one year of the statement of financial position date for general expenditures as of June 30, 2024 and 2023 are as follows:

	2024	2023
Financial assets:		
Cash	\$ 5,519,444	\$ 4,783,814
Investments	3,631,708	3,181,023
Government grants receivable	1,201,425	1,000,084
Contributions receivable	75,000	-
Total financial assets, at year-end	10,427,577	8,964,921
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(119,567)	-
Add back: net assets available for use within one year	75,000	-
Total amounts not available for general expenditures	(44,567)	-
Financial assets available for general expenditures within one year	<u>\$ 10,383,010</u>	<u>\$ 8,964,921</u>

BKS regularly monitors liquidity to meet its operating needs. BKS attempts to operate with a balanced budget and anticipates collecting sufficient revenue from current year and future year tuition fees to cover general expenditures not covered by donor-restricted resources. In addition, to manage liquidity, BKS develops and monitors operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due and closely monitors timing of grant payments and conducts periodic reviews of operating expenses to identify cost savings. To help manage unanticipated liquidity needs, BKS also has a line of credit in the total amount of \$1,000,000, which it could draw upon.

Note 10 Uncertainty related to future funding

BKS's operations are partially funded through government grants and contracts. Recent regulatory changes have introduced uncertainties regarding the availability and continuity of such funding. While management is actively monitoring the impact of these changes and exploring alternative funding sources, there is no assurance that current levels of government support will be maintained.

The potential reduction or modification of government funding could impact BKS's ability to continue certain programs and services at their current levels. Management is assessing various strategies to mitigate this risk, including diversifying funding sources and adjusting operational plans as needed.

At the date of these financial statements, the ultimate impact of the regulatory changes on BKS's financial position and operations cannot be reasonably estimated.

BROOKLYN KINDERGARTEN SOCIETY**Notes to the Financial Statements**

June 30, 2024

Note 11 Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through March 31, 2025, which is the date the financial statements were available to be issued and has concluded that no subsequent events occurred requiring adjustment to or disclosure in the financial statements.

BROOKLYN KINDERGARTEN SOCIETY
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2024

<i>Federal Assistance Listing Number</i>	<i>Pass-through entity identifying number</i>	<i>Total federal expenditures</i>
<u>Federal Grantor/Pass-Through Grantor/Program Title</u>		
U.S. Department of Health and Human Services		
Passed-through the NYC Department of Education		
Head Start Cluster		
Head Start	93.600 9251150	\$ 440,868
Head Start	93.600 9251165	937,920
Head Start	93.600 9251182	337,456
Head Start	93.600 9251210	189,931
Head Start	93.600 9251270	638,511
Total Head Start Cluster / Head Start		2,544,686
Passed-through NYS Office of Children & Family Services		
CCDF Cluster		
COVID-19 - Child Care and Development Block Grant	93.575	398,340
Total CCDF Cluster / COVID-19 - Child Care and Development Block Grant		398,340
<i>Total U.S. Department of Health and Human Services</i>		2,943,026
U.S. Department of Education		
Passed-through the NYC Department of Education		
COVID-19 - Education Stabilization Fund	84.425 9250610	71,793
COVID-19 - Education Stabilization Fund	84.425 9250689	76,144
Total COVID-19 - Education Stabilization Fund		147,937
<i>Total Department of Education</i>		147,937
U.S. Department of Agriculture		
Passed-through the NYS Department of Health		
Child and Adult Care Food Program	10.558 3070	93,218
<i>Total U.S. Department of Agriculture</i>		93,218
Total Expenditures of Federal Awards		<u>\$ 3,184,181</u>

The accompanying notes are an integral part of this schedule.

BROOKLYN KINDERGARTEN SOCIETY
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2024

Note 1 Basis of presentation

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

Note 2 Summary of significant accounting policies

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

Note 3 Indirect cost rate

BKS has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 Subrecipients

No federal expenditures presented in this Schedule were provided to subrecipients.

Independent Auditor's 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*

To the Board of Directors of
Brooklyn Kindergarten Society

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 Kindergarten Society ("BKS") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the BKS'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 BKS's internal control. Accordingly, we do not express an opinion on the effectiveness of BKS's internal control.

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

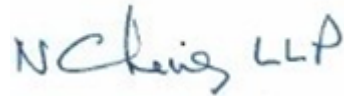
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in blue ink that reads "NChing LLP". The signature is written in a cursive, flowing style.

New York, New York
March 31, 2025

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of
Brooklyn Kindergarten Society

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

NChing LLP

New York, New York
March 31, 2025

BROOKLYN KINDERGARTEN SOCIETY
Schedule of Findings and Questioned Costs
For the year ended June 30, 2024

Section I – Summary of auditor’s results

Financial statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

___ yes X no
___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal awards

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

___ yes X no
___ yes X none reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

___ yes X no

Identification of major federal programs:

Federal Assistance

<u>Listing number(s)</u>	<u>Name of federal program or cluster</u>
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93.600	Head Start
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Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X yes ___ no

BROOKLYN KINDERGARTEN SOCIETY
Schedule of Findings and Questioned Costs
For the year ended June 30, 2024

Section II – Financial statement findings

None

Section III - Federal award findings and questioned costs

None