



**BROOKE CHARTER SCHOOL ROSLINDALE,
BROOKE CHARTER SCHOOL MATTAPAN,
BROOKE CHARTER SCHOOL EAST BOSTON,
THE BROOKE SCHOOL FOUNDATION, INC. AND AFFILIATES**

**COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
AND UNIFORM GUIDANCE
JUNE 30, 2016 AND 2015**

**BROOKE CHARTER SCHOOL ROSLINDALE,
BROOKE CHARTER SCHOOL MATTAPAN,
BROOKE CHARTER SCHOOL EAST BOSTON,
THE BROOKE SCHOOL FOUNDATION, INC. AND AFFILIATES**

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June 30, 2016 and 2015

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**Unmodified Opinion on Combined General Purpose Financial Statements
Accompanied By Other Information – Governmental Entity**

Independent Auditor's Report

To the Boards of Trustees of
Brooke Charter School Roslindale,
Brooke Charter School Mattapan,
Brooke Charter School East Boston,
The Brooke School Foundation, Inc. and Affiliates:

Report on the Combined General Purpose Financial Statements

We have audited the accompanying combined general purpose financial statements of Brooke Charter School Roslindale, Brooke Charter School Mattapan, Brooke Charter School East Boston (Massachusetts charter schools), The Brooke School Foundation, Inc. (a Massachusetts corporation, not for profit), Brooke Support Corporation (a Massachusetts corporation, not for profit), Brooke 2 LLC and Brooke 2 Master Tenant LLC (Massachusetts limited liability companies) (collectively, the Organization), which comprise the combined statements of net position as of June 30, 2016 and 2015, and the related combined statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the combined general purpose financial statements.

Management's Responsibility for the Combined General Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these combined general purpose financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined general purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined general purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined general purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined general purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined general purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined general purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined general purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined general purpose financial statements referred to on page one present fairly, in all material respects, the combined net position of the Organization as of June 30, 2016 and 2015, and the changes in their net position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 22 to the combined general purpose financial statements, during fiscal year 2016, Brooke Charter School Roslindale determined that net position and notes and bonds receivable were understated by \$597,953 and Brooke 2 LLC determined that notes payable and capital assets were understated by \$597,953 as of June 30, 2015. Accordingly, net position, changes in net position, notes and bonds receivable, notes payable, and capital assets have been restated to correct these misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America requires that the *Management's Discussion and Analysis* on pages 2 through 6 be presented to supplement the basic combined general purpose financial statements. Such information, although not a part of the basic combined general purpose financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic combined general purpose financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic combined general purpose financial statements, and other knowledge we obtained during our audit of the basic combined general purpose financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the combined general purpose financial statements as a whole. The Schedule of Expenditures of Federal Awards for the year ended June 30, 2016, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 combined general purpose 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 combined general purpose financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined general purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined general purpose financial statements or to the combined general purpose 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 combined general purpose financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, on our consideration of the Organization'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 for the year ended June 30, 2016. 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 the Organization's internal control over financial reporting and compliance.

Alexander, Acosta, Penning & Co., P.C.

Boston, Massachusetts
October 25, 2016

**BROOKE CHARTER SCHOOL ROSLINDALE,
BROOKE CHARTER SCHOOL MATTAPAN,
BROOKE CHARTER SCHOOL EAST BOSTON,
THE BROOKE SCHOOL FOUNDATION, INC. AND AFFILIATES**

Management's Discussion and Analysis
June 30, 2016

Our discussion and analysis of the financial performance of Brooke Charter School Roslindale (Brooke Roslindale), Brooke Charter School Mattapan (Brooke Mattapan), and Brooke Charter School East Boston (Brooke East Boston) (collectively, "the Schools"), The Brooke School Foundation, Inc. (the Foundation), and their Affiliates, Brooke 2 LLC, Brooke Support Corporation, and Brooke 2 Master Tenant LLC (collectively, the Organization) provides an overview of the Organization's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Organization's combined general purpose financial statements, which begin on *page 7*.

The Schools

Brooke Roslindale received its charter on April 1, 2001, to operate as a public charter school in the Commonwealth of Massachusetts. The charter is awarded in five-year increments and is subject to renewal at the discretion of the Commonwealth of Massachusetts Board of Education. Brooke Roslindale admitted students beginning in August 2002. During fiscal year 2012, Brooke Roslindale's charter was extended for a third five-year term, through June 30, 2017. During fiscal year 2016, Brooke Roslindale operated a grade span of kindergarten through eighth, with an approximate enrollment of 507 students. At full capacity, Brooke Roslindale will enroll 510 students.

Brooke Mattapan received its charter in February 2011, to operate as a public charter school in the Commonwealth of Massachusetts. In fiscal year 2016, Brooke Mattapan operated a grade span of kindergarten through eighth, with an approximate enrollment of 486 students. At full capacity, Brooke Mattapan will enroll 510 students.

Brooke East Boston received its charter in February 2011, to operate as a public charter school in the Commonwealth of Massachusetts, and began admitting students beginning in August 2012. In fiscal year 2016, Brooke East Boston operated a grade span of kindergarten through eighth, with an approximate enrollment of 500 students. At full capacity, Brooke East Boston will enroll 510 students.

The Foundation

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Schools discretely present financial information of the Foundation, a closely related nonprofit organization, in its combined general purpose financial statements. GASB defines component units as legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship to a primary government is such that exclusion would cause the reporting entity's combined general purpose financial statements to be misleading or incomplete. The Foundation acts primarily as a fundraising organization to supplement the resources of the Schools. Although the Schools do not control the timing or amounts of receipts from the Foundation, the majority of the resources or incomes thereon that it holds are restricted to the activities of the Schools. Because these restricted resources can only be used by or for the benefit of the Schools, the Foundation is considered a component unit of the Schools and is discretely presented in the Schools' combined general purpose financial statements.

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Management's Discussion and Analysis
June 30, 2016

The Affiliates

During June 2014, Brooke Roslindale and the Foundation entered into a series of transactions to initiate additional financing for the building occupied by Brooke Mattapan, through the sale of Federal Historical Tax Credits (HTC) and New Markets Tax Credits (NMTC) financing. The HTC and NMTC transactions required the formation of three new entities. Brooke 2 LLC (B2 LLC) was formed and entered into a sale-type lease for the building owned by Brooke Roslindale and occupied by Brooke Mattapan. B2 LLC is a Massachusetts limited liability company. B2 LLC is a qualified active low-income community business (QALICB) as defined by Section 45D of the Internal Revenue Code (IRC) and was established to facilitate Federal NMTC associated with the financing and construction of Brooke Mattapan's facility. B2 LLC is wholly-owned by Brooke Support Corporation, a Massachusetts nonprofit corporation (Brooke Support Corp). Brooke Support Corp also owns 1% and is the managing member of Brooke 2 Master Tenant LLC (Brooke 2 MT LLC). Brooke 2 MT LLC is a Massachusetts limited liability company. B2 LLC, Brooke Support Corp and Brooke 2 MT LLC are presented in the accompanying combined general purpose financial statements as component units of the Schools.

Using This Annual Report

This annual report consists of a series of combined general purpose financial statements. In accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statement – Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34), the Schools are considered a special purpose government entity that engages in only business-type activities. The financial activity of the Schools is recorded in an enterprise fund within the proprietary fund group.

In accordance with GASB No. 34, the Schools issue a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. These statements provide information about the financial activities of the Schools, individually and as a whole. This annual report also contains notes to the combined general purpose financial statements which provide additional information essential to a full understanding of the information provided in the basic combined general purpose financial statements.

Combined General Purpose Financial Statements

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position include all assets, liabilities, revenues and expenses for the Schools. This activity is recorded using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. Under the accrual basis of accounting, all revenues and expenses are recognized when earned or incurred regardless of when the cash is received or paid. Additionally, these statements report the Schools' net position and the related changes in them.

The Schools' net position - the difference between assets and liabilities - represents one way to measure the Schools' financial health or financial position. Over time, increases or decreases in the Schools' net position are one indicator of whether the Schools' financial health is improving or declining. You should consider other non-financial factors when considering the overall health of the Schools.

In the Statement of Revenues, Expenses and Changes in Net Position, we report all of the financial activity in the enterprise fund as business-type activity and divide it into two categories: Operating activities and general revenue and expenses. Operating activities include all financial activities associated with the operation of the Schools and its related programs. Consequently, all the general revenue and expenses include non-specified revenue and non-operating expenses.

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Management's Discussion and Analysis
June 30, 2016

Financial Highlights

The following financial highlights are for the fiscal year 2016:

Total Assets

- Brooke Roslindale held total assets of **\$53,447,540** at June 30, 2016, of which **\$25,987,163** was related to capital assets, and the majority of the remaining assets consisted of cash, notes and bonds receivable, grants receivable, prepaid expense, and other assets due from the Foundation and the Affiliates.
- Brooke Mattapan held total assets of **\$3,823,532** at June 30, 2016.
- Brooke East Boston held total assets of **\$2,298,401** at June 30, 2016.
- The Foundation held total assets of **\$25,410,426** at June 30, 2016.
- Brooke Support Corp and B2 LLC held combined total assets of **\$22,514,106** at June 30, 2016.
- Brooke 2 MT LLC held total assets of **\$3,173,069** at June 30, 2016.

Total Liabilities

- Brooke Roslindale held total liabilities of **\$38,544,564** at June 30, 2016.
- Brooke Mattapan held total liabilities of **\$452,981** at June 30, 2016.
- Brooke East Boston held total liabilities of **\$318,306** at June 30, 2016.
- The Foundation held total liabilities of **\$12,886,057** at June 30, 2016.
- Brooke Support Corp and B2 LLC held combined total liabilities of **\$22,510,446** at June 30, 2016.
- Brooke 2 MT LLC held **\$711,417** at June 30, 2016.

Total Net Position

- Total net position for Brooke Roslindale was **\$14,902,976** at June 30, 2016, of which **\$9,315,448** was unrestricted and **\$5,587,528** was for investment in capital assets.
- Total net position for Brooke Mattapan was **\$3,370,551** at June 30, 2016, of which **\$3,298,244** was unrestricted and **\$72,307** was for investment in capital assets.
- Total net position for Brooke East Boston was **\$1,980,095** at June 30, 2016, of which **\$1,705,914** was unrestricted and **\$274,181** was for investment in capital assets.
- Total net position for the Foundation was **\$12,524,369** at June 30, 2016, of which **\$(806,471)** was unrestricted, **\$12,297,304** was for investment in capital assets, and **\$1,033,536** was restricted.
- Combined total net position for Brooke Support Corp and B2 LLC was **\$3,660** at June 30, 2016, of which **\$522,440** was unrestricted and **\$(518,780)** for investment in capital assets.
- Total net position for Brooke 2 MT LLC was **\$2,437,035** at June 30, 2016.

Total Revenues

- Brooke Roslindale earned total revenues of **\$15,656,653** for the fiscal year ended June 30, 2016, of which **91%** was operating revenues and **9%** was general revenues (intercompany grants, private grants, contributions, etc.).
- Brooke Mattapan earned total revenues of **\$9,790,307** for the fiscal year ended June 30, 2016, of which **99%** was operating revenues and **1%** was general revenues.
- Brooke East Boston earned total revenues of **\$8,911,307** for the fiscal year ended June 30, 2016, of which **98%** was from operating revenues and **2%** was general revenues.
- The Foundation earned total revenues of **\$4,284,459** for the fiscal year ended June 30, 2016.
- Brooke Support Corp and B2 LLC earned combined total revenues of **\$1,572,456** for the fiscal year ended June 30, 2016.
- Brooke 2 MT LLC earned total revenues of **\$1,342,731** for the fiscal year ended June 30, 2016.

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Management's Discussion and Analysis
June 30, 2016

Financial Highlights (Continued)

Total Expenses

- Brooke Roslindale had total operating expenses of **\$13,244,602** for the fiscal year ended June 30, 2016.
- Brooke Mattapan had total operating expenses of **\$9,732,852** for the fiscal year ended June 30, 2016.
- Brooke East Boston had total operating expenses of **\$8,485,972** for the fiscal year ended June 30, 2016.
- Brooke Support Corp and B2 LLC had total operating expenses of **\$1,393,836** for the fiscal year ended June 30, 2016.
- Brooke 2 MT LLC had total operating expenses of **\$1,545,527** for the fiscal year ended June 30, 2016.
- The Foundation had total operating expenses of **\$2,133,353** for the fiscal year ended June 30, 2016.

Surpluses (Changes in Net Position)

- Brooke Roslindale had a surplus of **\$2,412,051** for the fiscal year ended June 30, 2016. The surplus was comprised of operating surplus of **\$978,691** and a non-operating surplus of **\$1,433,360**.
- Brooke Mattapan had a surplus of **\$57,455** for the fiscal year ended June 30, 2016. The surplus was comprised of an operating surplus of **\$970** and a non-operating surplus of **\$56,485**.
- Brooke East Boston had a surplus of **\$398,604** for the fiscal year ended June 30, 2016. The surplus was comprised of an operating surplus of **\$210,399** and a non-operating surplus of **\$188,205**.
- The Foundation had a surplus of **\$838,902** for the fiscal year ended June 30, 2016.
- Brooke Support Corp and B2 LLC had a combined surplus of **\$178,620** for the fiscal year ended June 30, 2016.
- Brooke 2 MT LLC had a deficit of **\$(202,796)** for the fiscal year ended June 30, 2016.

Budgetary Highlights

The budgets for the Schools are approved annually by the Board of Trustees.

- Brooke Roslindale's budgeted expenses for fiscal year 2016 were **\$16,521,310** compared to actual expenses of **\$12,104,771**, before in-kind pension. The difference between the budget and actual expenses is due to network expenses being included in Brooke Roslindale's budget along with interest expense being budgeted for the whole fiscal year.
- Brooke Mattapan's budgeted expenses for fiscal year 2016 were **\$8,264,016** compared to actual expenses of **\$8,947,260**, before in-kind pension.
- Brooke East Boston's budgeted expenses for fiscal year 2016 were **\$8,289,627** compared to actual expenses of **\$7,831,881**, before in-kind pension.

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Management's Discussion and Analysis
June 30, 2016

Schools' Financial Activities

The majority of Brooke Roslindale's funding is received from the Commonwealth of Massachusetts Department of Elementary and Secondary Education and is based on a standard rate per-pupil. During the fiscal year ended June 30, 2016, Brooke Roslindale had approximately 507 students and received **\$7,711,176** in per-pupil funding, which represents **54%** of Brooke Roslindale's operating revenue. In addition, Brooke Roslindale received various state and Federal grants which totaled **\$404,545**.

The majority of Brooke Mattapan's funding is received from the Commonwealth of Massachusetts Department of Elementary and Secondary Education and is based on a standard rate per-pupil. During the fiscal year ended June 30, 2016, Brooke Mattapan had approximately 486 students and received **\$7,492,466** in per-pupil funding, which represents **77%** of Brooke Mattapan's operating revenue. In addition, Brooke Mattapan received various state and Federal grants which totaled **\$411,817**.

The majority of Brooke East Boston's funding is received from the Commonwealth of Massachusetts Department of Elementary and Secondary Education and is based on a standard rate per-pupil. During the fiscal year ended June 30, 2016, Brooke East Boston had approximately 500 students and received **\$6,889,679** in per-pupil funding, which represents **79%** of Brooke East Boston's operating revenue. In addition, Brooke East Boston received various state and Federal grants which totaled **\$394,071**.

Contacting the Schools' Financial Management

This financial report is designed to provide the reader with a general overview of the Schools' finances and to show the accountability for the funds received. If you have questions about this report or need additional financial information, contact Ms. Yvette Philip, Finance Director at Brooke Charter Schools.

**BROOKE CHARTER SCHOOL ROSLINDALE, BROOKE CHARTER SCHOOL MATTAPAN, BROOKE CHARTER SCHOOL EAST BOSTON,
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Combined Statement of Net Position
June 30, 2016

	Enterprise Fund - Schools						Total Enterprise Fund - Schools	Component Unit Foundation	(Memorandum Only) Total
	Blended Component Units					Eliminations			
	Brooke Roslindale	Brooke Mattapan	Brooke East Boston	Brooke Support Corp/ B2 LLC	Brooke 2 MT LLC				
Assets									
Current Assets:									
Cash	\$ 6,997,713	\$ 4,605,243	\$ 2,316,009	\$ 102,649	\$ 129,248	\$ -	\$ 14,150,862	\$ 993,187	\$ 15,144,049
Current portion of grants receivable	72,211	98,808	104,111	-	-	-	275,130	215,390	490,520
Prepaid expenses	104,814	50,636	9,923	-	-	-	165,373	-	165,373
Current portion of notes and bonds receivable	559,050	-	-	-	-	(559,050)	-	-	-
Interagency due (to) from	2,575,676	(1,003,462)	(405,823)	(37,931)	(69,595)	-	1,058,865	(1,058,865)	-
Total current assets	10,309,464	3,751,225	2,024,220	64,718	59,653	(559,050)	15,650,230	149,712	15,799,942
Grants Receivable, net of current portion	-	-	-	-	-	-	-	77,353	77,353
Restricted Reserves	693,513	-	-	221,929	188,044	-	1,103,486	-	1,103,486
Accrued Rental Income	-	-	-	713,938	149,690	(863,628)	-	-	-
Notes and Bonds Receivable, net of current portion	16,457,400	-	-	-	2,724,209	(13,957,509)	5,224,100	25,183,361	30,407,461
Investment in Affiliate	-	-	-	30,671	-	(30,671)	-	-	-
Capital Assets, net	25,987,163	72,307	274,181	21,482,850	51,473	(2,650,353)	45,217,621	-	45,217,621
Total assets	\$ 53,447,540	\$ 3,823,532	\$ 2,298,401	\$ 22,514,106	\$ 3,173,069	\$ (18,061,211)	\$ 67,195,437	\$ 25,410,426	\$ 92,605,863
Liabilities, Net Position and Member's Equity (Deficit)									
Current Liabilities:									
Current portion of notes payable	\$ -	\$ -	\$ -	\$ 559,050	\$ -	\$ (559,050)	\$ -	\$ 418,481	\$ 418,481
Current portion of bonds payable	206,763	-	-	-	-	-	206,763	-	206,763
Current portion of investment contract payable	-	-	-	-	-	-	-	338,615	338,615
Current portion of deferred tax credit income	-	-	-	-	-	-	-	207,719	207,719
Accounts payable and accrued expenses	434,966	303,291	318,306	5,766	-	-	1,062,329	-	1,062,329
Accrued interest	339,027	-	-	2,521	(2,521)	-	339,027	61,097	400,124
Total current liabilities	980,756	303,291	318,306	567,337	(2,521)	(559,050)	1,608,119	1,025,912	2,634,031
Notes Payable, net of current portion	7,016,265	-	-	21,664,509	-	(13,957,509)	14,723,265	9,765,355	24,488,620
Bonds Payable, net of discount and current portion	30,547,543	-	-	-	-	-	30,547,543	-	30,547,543
Investment Contract Payable, net of current portion	-	-	-	-	-	-	-	900,407	900,407
Deferred Tax Credit Income, net of current portion	-	-	-	-	-	-	-	1,194,383	1,194,383
Deferred Tax Liability	-	-	-	278,600	-	-	278,600	-	278,600
Accrued Rent	-	149,690	-	-	713,938	(863,628)	-	-	-
Total liabilities	38,544,564	452,981	318,306	22,510,446	711,417	(15,380,187)	47,157,527	12,886,057	60,043,584
Net Position and Member's Equity (Deficit):									
Member's equity (deficit)	-	-	-	-	24,617	(30,671)	(6,054)	-	(6,054)
Unrestricted	9,315,448	3,298,244	1,705,914	522,440	-	-	14,842,046	(806,471)	14,035,575
Invested in capital, net	5,587,528	72,307	274,181	(518,780)	-	(2,650,353)	2,764,883	12,297,304	15,062,187
Restricted - expendable	-	-	-	-	-	-	-	1,033,536	1,033,536
Non-controlling interest in LLC	-	-	-	-	2,437,035	-	2,437,035	-	2,437,035
Total net position	14,902,976	3,370,551	1,980,095	3,660	2,437,035	(2,650,353)	20,043,964	12,524,369	32,568,333
Total net position and member's equity (deficit)	14,902,976	3,370,551	1,980,095	3,660	2,461,652	(2,681,024)	20,037,910	12,524,369	32,562,279
Total liabilities, net position and member's equity (deficit)	\$ 53,447,540	\$ 3,823,532	\$ 2,298,401	\$ 22,514,106	\$ 3,173,069	\$ (18,061,211)	\$ 67,195,437	\$ 25,410,426	\$ 92,605,863

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

**BROOKE CHARTER SCHOOL ROSLINDALE, BROOKE CHARTER SCHOOL MATTAPAN, BROOKE CHARTER SCHOOL EAST BOSTON,
THE BROOKE SCHOOL FOUNDATION, INC. AND AFFILIATES**

Combined Statement of Net Position
June 30, 2015 (Restated)

Assets	Enterprise Fund - Schools						Total Enterprise Fund - Schools	Component Unit Foundation	(Memorandum Only) Total
	Blended Component Units					Eliminations			
	Brooke Roslindale	Brooke Mattapan	Brooke East Boston	Brooke Support Corp/ B2 LLC	Brooke 2 MT LLC				
Current Assets:									
Cash	\$ 6,774,962	\$ 3,967,645	\$ 2,677,270	\$ 58,606	\$ 29,307	\$ -	\$ 13,507,790	\$ 1,861,061	\$ 15,368,851
Current portion of grants receivable	296,983	109,601	56,323	-	-	-	462,907	150,824	613,731
Prepaid expenses	10,430	11,153	15,302	-	-	-	36,885	-	36,885
Current portion of notes and bonds receivable	520,270	-	-	-	-	(520,270)	-	-	-
Interagency due (to) from	3,940,947	(453,321)	(946,668)	(2,275,864)	(10,000)	-	255,094	(255,094)	-
Total current assets	11,543,592	3,635,078	1,802,227	(2,217,258)	19,307	(520,270)	14,262,676	1,756,791	16,019,467
Grants Receivable, net of current portion	-	-	-	-	-	-	-	145,470	145,470
Restricted Reserves	704,498	-	-	256,583	7,364	-	968,445	-	968,445
Accrued Rental Income	-	-	-	374,414	92,646	(467,060)	-	-	-
Notes and Bonds Receivable, net of current portion	16,876,846	-	-	-	473,842	(12,126,588)	5,224,100	28,154,156	33,378,256
Investment in Affiliate	-	-	-	6,239	-	(6,239)	-	-	-
Capital Assets, net	25,803,104	92,113	105,417	21,925,572	-	(2,720,099)	45,206,107	-	45,206,107
Total assets	\$ 54,928,040	\$ 3,727,191	\$ 1,907,644	\$ 20,345,550	\$ 593,159	\$ (15,840,256)	\$ 65,661,328	\$ 30,056,417	\$ 95,717,745
Liabilities, Net Position and Member's Equity (Deficit)									
Current Liabilities:									
Current portion of notes payable	\$ -	\$ -	\$ -	\$ 520,270	\$ -	\$ (520,270)	\$ -	\$ 3,129,968	\$ 3,129,968
Current portion of bonds payable	51,753	-	-	-	-	-	51,753	-	51,753
Current portion of investment contract payable	-	-	-	-	-	-	-	328,644	328,644
Current portion of deferred tax credit income	-	-	-	-	-	-	-	207,719	207,719
Accounts payable and accrued expenses	420,373	321,449	326,153	10,131	-	-	1,078,106	-	1,078,106
Accrued interest	1,111,750	-	-	2,521	(2,521)	-	1,111,750	72,180	1,183,930
Total current liabilities	1,583,876	321,449	326,153	532,922	(2,521)	(520,270)	2,241,609	3,738,511	5,980,120
Notes Payable, net of current portion	10,502,308	-	-	19,833,588	-	(12,126,588)	18,209,308	11,991,315	30,200,623
Bonds Payable, net of discount and current portion	30,350,931	-	-	-	-	-	30,350,931	-	30,350,931
Investment Contract Payable, net of current portion	-	-	-	-	-	-	-	1,239,022	1,239,022
Deferred Tax Credit Income, net of current portion	-	-	-	-	-	-	-	1,402,102	1,402,102
Deferred Tax Liability	-	-	-	154,000	-	-	154,000	-	154,000
Accrued Rent	-	92,646	-	-	374,414	(467,060)	-	-	-
Total liabilities	42,437,115	414,095	326,153	20,520,510	371,893	(13,113,918)	50,955,848	18,370,950	69,326,798
Net Position and Member's Equity (Deficit):									
Member's equity (deficit)	-	-	-	-	2,213	(6,239)	(4,026)	-	(4,026)
Unrestricted	11,123,219	3,220,983	1,449,343	(2,003,257)	-	-	13,790,288	(651,198)	13,139,090
Invested in capital, net	1,367,706	92,113	105,417	1,828,297	-	(2,720,099)	673,434	9,990,925	10,664,359
Restricted - expendable	-	-	26,731	-	-	-	26,731	2,345,740	2,372,471
Non-controlling interest in LLC	-	-	-	-	219,053	-	219,053	-	219,053
Total net position	12,490,925	3,313,096	1,581,491	(174,960)	219,053	(2,720,099)	14,709,506	11,685,467	26,394,973
Total net position and member's equity (deficit)	12,490,925	3,313,096	1,581,491	(174,960)	221,266	(2,726,338)	14,705,480	11,685,467	26,390,947
Total liabilities, net position and member's equity (deficit)	\$ 54,928,040	\$ 3,727,191	\$ 1,907,644	\$ 20,345,550	\$ 593,159	\$ (15,840,256)	\$ 65,661,328	\$ 30,056,417	\$ 95,717,745

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

**BROOKE CHARTER SCHOOL ROSLINDALE, BROOKE CHARTER SCHOOL MATTAPAN, BROOKE CHARTER SCHOOL EAST BOSTON,
THE BROOKE SCHOOL FOUNDATION, INC. AND AFFILIATES**

Combined Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

	Enterprise Fund - Schools						Total Enterprise Fund - Schools	Component Unit	
	Blended Component Units					Eliminations		Foundation	(Memorandum Only) Total
	Brooke Roslindale	Brooke Mattapan	Brooke East Boston	Brooke Support Corp/ B2 LLC	Brooke 2 MT LLC				
Operating Revenue:									
Per-pupil tuition	\$ 7,711,176	\$ 7,492,466	\$ 6,889,679	\$ -	\$ -	\$ -	\$ 22,093,321	\$ -	\$ 22,093,321
In-kind transportation and pension	1,773,251	1,448,172	1,028,311	-	-	-	4,249,734	-	4,249,734
Network charges	3,047,234	-	-	-	-	-	3,047,234	-	3,047,234
Grants - government	404,545	411,817	394,071	-	-	-	1,210,433	-	1,210,433
Program fees and other income	375,022	345,417	325,016	-	-	-	1,045,455	-	1,045,455
Program restricted grants	-	-	-	-	-	-	-	778,204	778,204
Rental income	261,205	-	-	1,537,404	1,279,371	(2,816,775)	261,205	-	261,205
Interagency grants - operating	650,860	35,950	59,294	-	-	-	746,104	(746,104)	-
Total operating revenue	<u>14,223,293</u>	<u>9,733,822</u>	<u>8,696,371</u>	<u>1,537,404</u>	<u>1,279,371</u>	<u>(2,816,775)</u>	<u>32,653,486</u>	<u>32,100</u>	<u>32,685,586</u>
Operating Expenses:									
Personnel and related costs:									
Salaries	6,077,789	3,762,732	3,900,592	-	-	-	13,741,113	-	13,741,113
In-kind pension	1,139,831	785,592	654,091	-	-	-	2,579,514	-	2,579,514
Payroll taxes and employee benefits	502,777	296,529	311,965	-	-	-	1,111,271	-	1,111,271
Recruitment and staff development	246,969	25,026	37,945	-	-	-	309,940	-	309,940
Total personnel and related costs	<u>7,967,366</u>	<u>4,869,879</u>	<u>4,904,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,741,838</u>	<u>-</u>	<u>17,741,838</u>
Direct student costs:									
In-kind transportation	633,420	662,580	374,220	-	-	-	1,670,220	-	1,670,220
Food	325,984	323,489	387,422	-	-	-	1,036,895	-	1,036,895
Educational program expense	379,871	256,979	306,876	-	-	-	943,726	-	943,726
Minor equipment	500,137	155,234	177,070	-	-	-	832,441	-	832,441
Transportation and travel	189,303	169,688	251,455	-	-	-	610,446	-	610,446
Student activities	47,530	45,537	44,418	-	-	-	137,485	-	137,485
Special educational services	9,790	20,341	14,330	-	-	-	44,461	-	44,461
Total direct student costs	<u>2,086,035</u>	<u>1,633,848</u>	<u>1,555,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,275,674</u>	<u>-</u>	<u>5,275,674</u>
Occupancy:									
Interest and fees	1,211,996	-	-	647,496	-	-	1,859,492	572,059	2,431,551
Facility maintenance	285,183	255,990	222,434	-	-	-	763,607	-	763,607
Rent	284,081	1,279,371	64,245	-	1,537,404	(2,816,775)	348,326	-	348,326
Utilities	96,488	101,535	92,668	-	-	-	290,691	-	290,691
Insurance	152,842	-	-	-	-	-	152,842	-	152,842
Total occupancy	<u>2,030,590</u>	<u>1,636,896</u>	<u>379,347</u>	<u>647,496</u>	<u>1,537,404</u>	<u>(2,816,775)</u>	<u>3,414,958</u>	<u>572,059</u>	<u>3,987,017</u>
Other operating costs:									
Network charges	-	1,511,344	1,535,890	-	-	-	3,047,234	-	3,047,234
Professional fees	352,504	17,924	18,316	50,659	6,294	-	445,697	2,035	447,732
Miscellaneous	58,782	10,224	3,282	127,632	-	-	199,920	12,530	212,450
Dues and subscriptions	18,468	18,416	17,085	-	-	-	53,969	-	53,969
Supplies	17,987	1,043	33,157	-	-	-	52,187	-	52,187
Scholarships	-	-	-	-	-	-	-	35,625	35,625
Bank service fee	-	-	-	25,000	-	-	25,000	-	25,000
Postage and printing	15,070	5,471	3,399	-	-	-	23,940	-	23,940
Total other operating costs	<u>462,811</u>	<u>1,564,422</u>	<u>1,611,129</u>	<u>203,291</u>	<u>6,294</u>	<u>-</u>	<u>3,847,947</u>	<u>50,190</u>	<u>3,987,137</u>
Depreciation	697,800	27,807	35,112	543,049	1,829	(69,746)	1,235,851	-	1,235,851
Total operating expenses	<u>13,244,602</u>	<u>9,732,852</u>	<u>8,485,972</u>	<u>1,393,836</u>	<u>1,545,527</u>	<u>(2,886,521)</u>	<u>31,516,268</u>	<u>622,249</u>	<u>32,138,517</u>
Changes in net position from operations	<u>978,691</u>	<u>970</u>	<u>210,399</u>	<u>143,568</u>	<u>(266,156)</u>	<u>69,746</u>	<u>1,137,218</u>	<u>(590,149)</u>	<u>547,069</u>
General Revenue (Expense):									
Interest income	622,911	3,051	1,035	219	63,360	-	690,576	1,718,453	2,409,029
Grants and contributions - unrestricted	18,846	10,100	20,240	-	-	-	49,186	162,566	211,752
Grants and contributions - capital	-	-	25,100	-	-	-	25,100	1,415,000	1,440,100
Other income	26,603	43,334	168,561	34,833	-	-	273,331	2,517	275,848
Tax credit income	-	-	-	-	-	-	-	207,719	207,719
Intercompany grants - capital	765,000	-	-	-	-	-	765,000	(765,000)	-
Total general revenue (expense)	<u>1,433,360</u>	<u>56,485</u>	<u>214,936</u>	<u>35,052</u>	<u>63,360</u>	<u>-</u>	<u>1,803,193</u>	<u>2,741,255</u>	<u>4,544,448</u>
Changes in net position before restricted net position	<u>2,412,051</u>	<u>57,455</u>	<u>425,335</u>	<u>178,620</u>	<u>(202,796)</u>	<u>69,746</u>	<u>2,940,411</u>	<u>2,151,106</u>	<u>5,091,517</u>
Restricted Net Position:									
Grants and contributions	-	-	-	-	-	-	-	681,000	681,000
Capital grants	-	-	-	-	-	-	-	200,000	200,000
Satisfaction of purpose restrictions	-	-	(1,631)	-	-	-	(1,631)	(778,204)	(779,835)
Satisfaction of capital restrictions	-	-	(25,100)	-	-	-	(25,100)	(1,415,000)	(1,440,100)
Changes in restricted net position	<u>-</u>	<u>-</u>	<u>(26,731)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,731)</u>	<u>(1,312,204)</u>	<u>(1,338,935)</u>
Changes in net position	<u>2,412,051</u>	<u>57,455</u>	<u>398,604</u>	<u>178,620</u>	<u>(202,796)</u>	<u>69,746</u>	<u>2,913,680</u>	<u>838,902</u>	<u>3,752,582</u>
Net Position and Member's Equity (Deficit):									
Beginning of year, as restated	12,490,925	3,313,096	1,581,491	(174,960)	221,266	(2,726,338)	14,705,480	11,685,467	26,390,947
Capital Contribution	-	-	-	-	2,443,182	(24,432)	2,418,750	-	2,418,750
End of year	<u>\$ 14,902,976</u>	<u>\$ 3,370,551</u>	<u>\$ 1,980,095</u>	<u>\$ 3,660</u>	<u>\$ 2,461,652</u>	<u>\$ (2,681,024)</u>	<u>\$ 20,037,910</u>	<u>\$ 12,524,369</u>	<u>\$ 32,562,279</u>

**BROOKE CHARTER SCHOOL ROSLINDALE, BROOKE CHARTER SCHOOL MATTAPAN, BROOKE CHARTER SCHOOL EAST BOSTON,
THE BROOKE SCHOOL FOUNDATION, INC. AND AFFILIATES**

Combined Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015 (Restated)

	Enterprise Fund - Schools						Total Enterprise Fund - Schools	Component Unit Foundation	(Memorandum Only) Total
	Blended Component Units					Eliminations			
	Brooke Roslindale	Brooke Mattapan	Brooke East Boston	Brooke Support Corp/ B2 LLC	Brooke 2 MT LLC				
Operating Revenue:									
Per-pupil tuition	\$ 7,541,010	\$ 6,907,081	\$ 5,685,051	\$ -	\$ -	\$ -	\$ 20,133,142	\$ -	\$ 20,133,142
In-kind transportation and pension	1,414,683	1,130,863	747,606	-	-	-	3,293,152	-	3,293,152
Network charges	1,500,979	-	-	-	-	-	1,500,979	-	1,500,979
Grants - government	441,726	427,306	260,599	-	-	-	1,129,631	-	1,129,631
Program fees and other income	337,447	303,452	256,849	-	-	-	897,748	-	897,748
Program restricted grants	-	-	419	-	-	-	419	637,545	637,964
Rental income	244,494	-	-	1,537,405	1,279,371	(2,816,776)	244,494	-	244,494
Interagency grants - operating	292,645	125,900	219,000	-	-	-	637,545	(637,545)	-
Total operating revenue	11,772,984	8,894,602	7,169,524	1,537,405	1,279,371	(2,816,776)	27,837,110	-	27,837,110
Operating Expenses:									
Personnel and related costs:									
Salaries	5,485,969	3,459,710	2,924,427	-	-	-	11,870,106	-	11,870,106
In-kind pension	684,280	426,670	347,457	-	-	-	1,458,407	-	1,458,407
Payroll taxes and employee benefits	477,558	289,660	269,941	-	-	-	1,037,159	-	1,037,159
Recruitment and staff development	190,084	21,519	16,567	-	-	-	228,170	-	228,170
Total personnel and related costs	6,837,891	4,197,559	3,558,392	-	-	-	14,593,842	-	14,593,842
Direct student costs:									
In-kind transportation	730,403	704,193	400,149	-	-	-	1,834,745	-	1,834,745
Food	317,562	298,046	246,292	-	-	-	861,900	-	861,900
Educational program expense	277,167	293,702	335,014	-	-	-	905,883	-	905,883
Minor equipment	556,217	328,521	272,242	-	-	-	1,156,980	-	1,156,980
Transportation and travel	171,702	138,190	206,734	-	-	-	516,626	-	516,626
Student activities	34,876	23,250	22,754	-	-	-	80,880	-	80,880
Special educational services	11,083	30,116	9,981	-	-	-	51,180	-	51,180
Total direct student costs	2,099,010	1,816,018	1,493,166	-	-	-	5,408,194	-	5,408,194
Occupancy:									
Interest and fees	1,330,044	-	-	625,049	-	-	1,955,093	732,652	2,687,745
Facility maintenance	357,852	213,494	197,016	-	-	-	768,362	-	768,362
Rent	321,491	1,279,371	36,160	-	1,537,405	(2,816,776)	357,651	-	357,651
Utilities	117,001	129,662	79,000	-	-	-	325,663	-	325,663
Insurance	133,411	-	-	-	-	-	133,411	-	133,411
Total occupancy	2,259,799	1,622,527	312,176	625,049	1,537,405	(2,816,776)	3,540,180	732,652	4,272,832
Other operating costs:									
Network charges	-	283,574	1,217,405	-	-	-	1,500,979	-	1,500,979
Professional fees	204,291	11,310	5,471	66,462	10,000	-	297,534	1,095	298,629
Miscellaneous	73,579	12,222	13,858	157,725	-	-	257,384	6,807	264,191
Dues and subscriptions	18,131	16,923	15,140	-	-	-	50,194	-	50,194
Supplies	14,656	1,203	13,824	-	-	-	29,683	-	29,683
Scholarships	-	-	-	-	-	-	-	13,225	13,225
Bank service fee	-	-	-	13,564	-	-	13,564	-	13,564
Postage and printing	20,885	4,736	4,958	-	-	-	30,579	-	30,579
Total other operating costs	331,542	329,968	1,270,656	237,751	10,000	-	2,179,917	21,127	2,201,044
Depreciation	658,428	26,006	27,251	474,889	-	(69,746)	1,116,828	-	1,116,828
Total operating expenses	12,186,670	7,992,078	6,661,641	1,337,689	1,547,405	(2,886,522)	26,838,961	753,779	27,592,740
Changes in net position from operations	(413,686)	902,524	507,883	199,716	(268,034)	69,746	998,149	(753,779)	244,370
General Revenue (Expense):									
Interest income	694,827	-	-	135	15,458	-	710,420	1,815,535	2,525,955
Grants and contributions - unrestricted	53,765	2,156	2,500	-	-	-	58,421	397,136	455,557
Other income	2,517	29,812	68,769	180	-	-	101,278	5,475	106,753
Tax credit income	1,335,000	-	-	-	-	-	1,335,000	207,719	1,542,719
Intercompany grants - capital	150,000	-	-	-	-	-	150,000	(150,000)	-
Developer fee income	1,849,845	-	-	-	-	(1,849,845)	-	-	-
Total general revenue (expense)	4,085,954	31,968	71,269	315	15,458	(1,849,845)	2,355,119	2,275,865	4,630,984
Changes in net position before restricted net position	3,672,268	934,492	579,152	200,031	(252,576)	(1,780,099)	3,353,268	1,522,086	4,875,354
Restricted Net Position:									
Grants and contributions	-	-	1,631	-	-	-	1,631	855,785	857,416
Capital grants	-	-	25,100	-	-	-	25,100	429,077	454,177
Satisfaction of purpose restrictions	(50,000)	-	-	-	-	-	(50,000)	(637,545)	(687,545)
Satisfaction of capital restrictions	-	-	-	-	-	-	-	(150,000)	(150,000)
Changes in restricted net position	(50,000)	-	26,731	-	-	-	(23,269)	497,317	474,048
Changes in net position	3,622,268	934,492	605,883	200,031	(252,576)	(1,780,099)	3,329,999	2,019,403	5,349,402
Net Position and Member's Equity (Deficit),									
Beginning of year	8,868,657	2,378,604	975,608	(374,991)	473,842	(946,239)	11,375,481	9,666,064	21,041,545
End of year, restated	\$ 12,490,925	\$ 3,313,096	\$ 1,581,491	\$ (174,960)	\$ 221,266	\$ (2,726,338)	\$ 14,705,480	\$ 11,685,467	\$ 26,390,947

**BROOKE CHARTER SCHOOL ROSLINDALE, BROOKE CHARTER SCHOOL MATTAPAN, BROOKE CHARTER SCHOOL EAST BOSTON,
THE BROOKE SCHOOL FOUNDATION, INC. AND AFFILIATES**

Combined Statement of Cash Flows
For the Year Ended June 30, 2016

	Enterprise Fund - Schools						Total Enterprise Fund - Schools	Component Unit Foundation	(Memorandum Only) Total
	Blended Component Units					Eliminations			
	Brooke Roslindale	Brooke Mattapan	Brooke East Boston	Brooke Support Corp/ B2 LLC	Brooke 2 MT LLC				
Cash Flows from Operating Activities:									
Receipts from tuition	\$ 7,711,176	\$ 7,492,466	\$ 6,889,679	\$ -	\$ -	\$ -	\$ 22,093,321	\$ -	\$ 22,093,321
Receipts from government grants	409,136	392,847	361,309	-	-	-	1,163,292	-	1,163,292
Receipts from other sources	6,724,595	1,017,756	471,728	1,572,456	1,682,255	-	11,468,790	2,445,761	13,914,551
Payments for employee compensation, taxes and related	(6,819,871)	(4,055,243)	(4,173,869)	-	-	-	(15,048,983)	-	(15,048,983)
Payments for supplies and services	(2,192,937)	(4,202,227)	(3,731,332)	(2,320,989)	(1,541,147)	-	(13,988,632)	(50,190)	(14,038,822)
Payments for interest and fees	(1,581,356)	-	-	(987,020)	-	-	(2,568,376)	(583,142)	(3,151,518)
Net cash provided by (used in) operating activities	4,250,743	645,599	(182,485)	(1,735,553)	141,108	-	3,119,412	1,812,429	4,931,841
Cash Flows from Investing Activities:									
Acquisition of capital assets	(881,859)	(8,001)	(203,876)	(100,327)	(53,302)	-	(1,247,365)	-	(1,247,365)
Issuance of notes and bonds receivable	(136,053)	-	-	-	(2,250,367)	2,386,420	-	-	-
Proceeds from (payments on) notes receivable	516,719	-	-	-	-	(516,719)	-	2,562,507	2,562,507
Capital contributions	-	-	-	(24,432)	2,443,182	-	2,418,750	-	2,418,750
Withdrawals from (deposits to) restricted reserves, net	10,985	-	-	34,654	(180,680)	-	(135,041)	-	(135,041)
Net cash provided by (used in) investing activities	(490,208)	(8,001)	(203,876)	(90,105)	(41,167)	1,869,701	1,036,344	2,562,507	3,598,851
Cash Flows from Financing Activities:									
Capital grants	-	-	25,100	-	-	-	25,100	231,000	256,100
Decrease in deferred tax credit income	-	-	-	-	-	-	-	(207,719)	(207,719)
Proceeds from notes payable	-	-	-	2,386,420	-	(2,386,420)	-	-	-
Payment of investment contract payable	-	-	-	-	-	-	-	(328,644)	(328,644)
Principal payments on bonds payable	(51,741)	-	-	-	-	-	(51,741)	-	(51,741)
Principal payments on notes payable	(3,486,043)	-	-	(516,719)	-	516,719	(3,486,043)	(4,937,447)	(8,423,490)
Net cash provided by (used in) financing activities	(3,537,784)	-	25,100	1,869,701	-	(1,869,701)	(3,512,684)	(5,242,810)	(8,755,494)
Net Change in Cash	222,751	637,598	(361,261)	44,043	99,941	-	643,072	(867,874)	(224,802)
Cash:									
Beginning of year	6,774,962	3,967,645	2,677,270	58,606	29,307	-	13,507,790	1,861,061	15,368,851
End of year	\$ 6,997,713	\$ 4,605,243	\$ 2,316,009	\$ 102,649	\$ 129,248	\$ -	\$ 14,150,862	\$ 993,187	\$ 15,144,049
Cash Flows from Operating Activities:									
Changes in net position	\$ 2,412,051	\$ 57,455	\$ 398,604	\$ 178,620	\$ (202,796)	\$ 69,746	\$ 2,913,680	\$ 838,902	\$ 3,752,582
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:									
Interest receivable on Foundation notes	-	-	-	-	-	-	-	777,773	777,773
Depreciation	697,800	27,807	35,112	543,049	1,829	(69,746)	1,235,851	-	1,235,851
Capital grants	-	-	(25,100)	-	-	-	(25,100)	(200,000)	(225,100)
Amortization of discounts on bonds payable	403,363	-	-	-	-	-	403,363	(369,485)	33,878
Changes in operating assets and liabilities:									
Grants receivable	224,772	10,793	(47,788)	-	-	-	187,777	(27,449)	160,328
Prepaid expenses	(94,384)	(39,483)	5,379	-	-	-	(128,488)	-	(128,488)
Interagency due (to) from	1,365,271	550,141	(540,845)	(2,237,933)	59,595	-	(803,771)	803,771	-
Accounts payable and accrued expenses	14,593	(18,158)	(7,847)	(4,365)	-	-	(15,777)	-	(15,777)
Accrued interest	(772,723)	-	-	-	-	-	(772,723)	(11,083)	(783,806)
Deferred tax liability	-	-	-	124,600	-	-	124,600	-	124,600
Accrued rent	-	57,044	-	(339,524)	282,480	-	-	-	-
Net cash provided by (used in) operating activities	\$ 4,250,743	\$ 645,599	\$ (182,485)	\$ (1,735,553)	\$ 141,108	\$ -	\$ 3,119,412	\$ 1,812,429	\$ 4,931,841

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

**BROOKE CHARTER SCHOOL ROSLINDALE, BROOKE CHARTER SCHOOL MATTAPAN, BROOKE CHARTER SCHOOL EAST BOSTON,
THE BROOKE SCHOOL FOUNDATION, INC. AND AFFILIATES**

Combined Statement of Cash Flows
For the Year Ended June 30, 2015 (Restated)

	Enterprise Fund - Schools						Total Enterprise Fund - Schools	Component Unit	(Memorandum Only) Total
	Blended Component Units					Eliminations		Foundation	
	Brooke Roslindale	Brooke Mattapan	Brooke East Boston	Brooke Support Corp/ B2 LLC	Brooke 2 MT LLC				
Cash Flows from Operating Activities:									
Receipts from tuition	\$ 9,356,079	\$ 8,269,237	\$ 6,725,915	\$ -	\$ -	\$ -	\$ 24,351,231	\$ -	\$ 24,351,231
Receipts from government grants	449,582	429,072	336,507	-	-	-	1,215,161	-	1,215,161
Receipts from other sources	3,276,611	335,420	365,721	1,745,092	1,202,183	-	6,925,027	1,218,471	8,143,498
Payments for employee compensation, taxes and related	(6,118,391)	(3,736,749)	(3,188,665)	-	-	-	(13,043,805)	-	(13,043,805)
Payments for supplies and services	(1,747,679)	(2,776,868)	(2,380,322)	(227,751)	(1,162,991)	-	(8,295,611)	(21,127)	(8,316,738)
Payments for interest and fees	(820,310)	-	-	(468,397)	-	-	(1,288,707)	(781,941)	(2,070,648)
Net cash provided by operating activities	4,395,892	2,520,112	1,859,156	1,048,944	39,192	-	9,863,296	415,403	10,278,699
Cash Flows from Investing Activities:									
Acquisition of capital assets and construction in progress	(5,167,676)	-	(9,772)	(2,361,208)	-	1,849,845	(5,688,811)	-	(5,688,811)
Interest earned on notes and bonds receivable	-	-	-	-	(2,521)	-	(2,521)	2,521	-
Issuance of notes and bonds receivable	(1,331,682)	-	-	-	-	1,331,682	-	-	-
Payments on notes receivable	-	-	-	-	-	-	-	521,639	521,639
Deposit to restricted reserves	-	-	-	-	(7,364)	-	(7,364)	-	(7,364)
Withdrawals from restricted reserves	5,734,169	-	-	13,427	-	-	5,747,596	-	5,747,596
Net cash provided by (used in) investing activities	(765,189)	-	(9,772)	(2,347,781)	(9,885)	3,181,527	48,900	524,160	573,060
Cash Flows from Financing Activities:									
Capital grants	-	-	-	-	-	-	-	429,077	429,077
Developer fee	1,849,845	-	-	-	-	(1,849,845)	-	-	-
Decrease in deferred tax credit income	-	-	-	-	-	-	-	(207,719)	(207,719)
Proceeds from notes payable	-	-	-	1,331,682	-	(1,331,682)	-	-	-
Payment of investment contract payable	-	-	-	-	-	-	-	(194,834)	(194,834)
Principal payments on notes payable	(1,135,436)	-	-	-	-	-	(1,135,436)	(1,907,142)	(3,042,578)
Net cash provided by (used in) financing activities	714,409	-	-	1,331,682	-	(3,181,527)	(1,135,436)	(1,880,618)	(3,016,054)
Net Change in Cash	4,345,112	2,520,112	1,849,384	32,845	29,307	-	8,776,760	(941,055)	7,835,705
Cash:									
Beginning of year	2,429,850	1,447,533	827,886	25,761	-	-	4,731,030	2,802,116	7,533,146
End of year	\$ 6,774,962	\$ 3,967,645	\$ 2,677,270	\$ 58,606	\$ 29,307	\$ -	\$ 13,507,790	\$ 1,861,061	\$ 15,368,851
Cash Flows from Operating Activities:									
Changes in net position	\$ 3,622,268	\$ 934,492	\$ 605,883	\$ 200,031	\$ (252,576)	\$ (1,780,099)	\$ 3,329,999	\$ 2,019,403	\$ 5,349,402
Adjustments to reconcile changes in net position to net cash provided by operating activities:									
Interest receivable on Foundation notes	-	-	-	-	-	-	-	(256,262)	(256,262)
Depreciation	658,428	26,006	27,251	474,889	-	(69,746)	1,116,828	-	1,116,828
Capital grants	-	-	-	-	-	-	-	(429,077)	(429,077)
Developer fee income	(1,849,845)	-	-	-	-	1,849,845	-	-	-
Amortization of discounts on bonds payable	322,322	-	-	-	-	-	322,322	(288,448)	33,874
Changes in operating assets and liabilities:									
Tuition receivable	1,815,069	1,362,156	1,040,864	-	-	-	4,218,089	-	4,218,089
Grants receivable	(233,619)	1,766	75,908	-	-	-	(155,945)	(168,794)	(324,739)
Prepaid expenses	22,549	63,911	20,858	-	-	-	107,318	-	107,318
Interagency due (to) from	(189,812)	(5,460)	15,616	581,786	10,000	-	412,130	(412,130)	-
Accounts payable and accrued expenses	41,120	44,595	72,776	10,000	-	-	168,491	-	168,491
Accrued interest	187,412	-	-	2,652	-	-	190,064	(49,289)	140,775
Deferred tax liability	-	-	-	154,000	-	-	154,000	-	154,000
Accrued rent	-	92,646	-	(374,414)	281,768	-	-	-	-
Net cash provided by operating activities	\$ 4,395,892	\$ 2,520,112	\$ 1,859,156	\$ 1,048,944	\$ 39,192	\$ -	\$ 9,863,296	\$ 415,403	\$ 10,278,699
Supplemental Disclosure of Cash Flow Information:									
Interest capitalized	\$ -	\$ -	\$ -	\$ 20,246	\$ -	\$ -	\$ 20,246	\$ -	\$ 20,246

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

**BROOKE CHARTER SCHOOL ROSLINDALE,
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Notes to Combined General Purpose Financial Statements
June 30, 2016 and 2015

1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

Brooke Charter School Roslindale (Brooke Roslindale) was granted its charter by the Commonwealth of Massachusetts (the Commonwealth) under Chapter 71, Section 89 of the General Laws of Massachusetts effective April 1, 2001. Brooke Roslindale's current charter is through June 30, 2017. During fiscal years 2016 and 2015, Brooke Roslindale operated kindergarten through grade eight serving approximately 510 and 504 students, respectively, from Boston, Massachusetts.

Brooke Charter School Mattapan (Brooke Mattapan) was granted its charter by the Commonwealth under Chapter 71, Section 89 of the General Laws of Massachusetts effective February 28, 2011. Brooke Mattapan is authorized to operate a public charter school in Boston, Massachusetts through June 2016 (see below). During fiscal years 2016 and 2015, Brooke Mattapan operated kindergarten through grade eight serving approximately 496 and 459 students, respectively, from Boston, Massachusetts.

Brooke Charter School East Boston (Brooke East Boston) was granted its charter by the Commonwealth under Chapter 71, Section 89 of the General Laws of Massachusetts effective February 28, 2011. Brooke East Boston is authorized to operate a public charter school in Boston, Massachusetts through June 2016 (see below). Brooke East Boston added two additional grades in fiscal year 2016 and reached its goal of kindergarten through grade eight, serving 510 students. During fiscal year 2015, Brooke East Boston served 392 students in kindergarten, first grade, second grade, and fifth grade to seventh grade.

Brooke Roslindale's, Brooke Mattapan's and Brooke East Boston's (collectively, the Schools) charters are subject to renewal by the Commonwealth of Massachusetts, Department of Elementary and Secondary Education (DESE) every five years. During fiscal year 2016, DESE approved the Schools' request to be consolidated into one charter for Brooke Charter Schools serving grades kindergarten through grade twelve, with a maximum enrollment of 2,221. This consolidation includes the addition of a high school which will open in fiscal year 2017. The consolidation is effective beginning in July 1, 2016. The current consolidated charter is through June 30, 2017. As state chartered organizations, the Schools are not subject to Federal or state income taxes. Donors may deduct contributions made to the Schools within Internal Revenue Code (IRC) regulations.

The Brooke School Foundation, Inc. (the Foundation) was formed on June 18, 2002, to benefit and support, financially, the functions of the Schools. The Foundation solicits, receives, and administers funds for the operation and maintenance of the Schools. The Foundation is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the IRC. Donors may deduct contributions made to the Foundation within the requirements of the IRC. The Foundation is also exempt from state income taxes.

The Schools and the Foundation each appoint their respective Boards of Trustees. The Schools share the same Board of Trustees. The Foundation's activities consist of raising funds on behalf of the Schools. Due to this factor, the financial statements of the Schools and the Foundation are presented on a combined basis (see page 15).

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Notes to Combined General Purpose Financial Statements
June 30, 2016 and 2015

1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

OPERATIONS (Continued)

During June 2014, Brooke Roslindale and the Foundation entered into a series of transactions to provide Federal Historical Tax Credits (HTC) and New Markets Tax Credits (NMTC) financing to provide additional financing for rehabilitation of the building occupied by Brooke Mattapan at 150 American Legion Highway. The HTC and NMTC transactions required the formation of three new entities. Brooke 2 LLC (B2 LLC) was formed and entered into a sale-type lease (see Note 5) for the building owned by Brooke Roslindale and occupied by Brooke Mattapan. B2 LLC is a Massachusetts limited liability company, which has elected to be treated as a corporation for Federal tax purpose. B2 LLC is a qualified active low-income community business (QALICB) as defined by Section 45D of the IRC and was established to facilitate Federal NMTC associated with the financing and construction of Brooke Mattapan's facility (see Notes 7, 10 and 13). B2 LLC is wholly-owned by Brooke Support Corporation, a Massachusetts nonprofit corporation (Brooke Support Corp). Brooke Support Corp is governed by an independent Board of Directors. Brooke Support Corp also owns 1% and is the managing member of Brooke 2 Master Tenant LLC (Brooke 2 MT LLC). Brooke 2 MT LLC is a Massachusetts limited liability company, which is treated as a partnership for Federal tax purposes with the 99% partner being East West Bank. B2 LLC, Brooke Support Corp and Brooke 2 MT LLC are presented in the accompanying combined general purpose financial statements as component units of the Schools (see page 15). B2 LLC, Brooke Support Corp. and Brooke 2 MT LLC are related through common management and ownership. Due to this factor, the financial statements of these entities are combined with those of the Schools.

The Schools, the Foundation, B2 LLC, Brooke Support Corp, and Brooke 2 MT LLC are collectively referred to as the Organization throughout these combined general purpose financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - GASB Standards

The accompanying combined general purpose financial statements were prepared on the accrual basis. Since the Schools are quasi-public corporations, their accounting policies and combined general purpose financial statement presentation is governed by standards issued by the Governmental Accounting Standards Board (GASB). The Schools follow GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. GASB Statement No. 34 outlines financial reporting requirements for state and local governments. The Schools are considered special purpose government organizations that conduct only business-type activities within the meaning of GASB Statement No. 34 and, therefore, only has enterprise funds within its proprietary fund.

Consistent with the provisions of GASB Statement Nos. 14 and 39, as clarified by GASB Statement No. 61, *The Financial Reporting Entity: "Omnibus" an amendment to GASB Statement Nos. 14 and 39*, the Foundation is "discretely" presented in these combined general purpose financial statements as a component unit of the Schools. The "Memorandum Only Total" is presented in accordance with GASB Statement No. 14. This represents the combined totals of the Schools and the Foundation without the elimination of inter-agency balances and transactions.

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Notes to Combined General Purpose Financial Statements
June 30, 2016 and 2015

1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - GASB Standards (Continued)

Also, consistent with GASB Statement Nos. 14, 39 and 61, B2 LLC, Brooke Support Corp and Brooke 2 MT LLC are presented in the combined general purpose financial statements as "blended" component units of the Schools in the Total Enterprise Fund - Schools column. All inter-agency transactions between the Schools, B2 LLC, Brooke Support Corp, and Brooke 2 MT LLC have been eliminated in the eliminations column in the accompanying combined general purpose financial statements.

Basis of Accounting

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Organization has elected to apply the provisions of all relevant pronouncements of Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

Classification of Net Position

Unrestricted Net Position - Represents the portion of expendable funds that are used to support the operations, including funds for which the donor-imposed restrictions have been met in accordance with funding agreements.

Invested in Capital Net Position - Represents the net book value of capital assets and other resources restricted for capital, net of related debt.

Restricted Net Position - Includes all funds contributed by donors to fund specific programs which have not been spent for the specific program as of the end of the fiscal year.

Revenue Recognition

Per-pupil tuition, program fees and grant revenue are recorded as services are provided and costs are incurred. The Commonwealth of Massachusetts, Executive Office of Administration and Finance, calculates per-pupil tuition reimbursement which is paid to the Schools by DESE.

Unrestricted grants and contributions are recorded when they are received or unconditionally committed. Gifts of cash and other assets are recorded as restricted program funds if they are received or unconditionally committed with donor stipulations that limit the use of the donated assets. When a stipulated purpose restriction is accomplished, donor restricted net position are reported in the combined statements of revenues, expenses and changes in net position as a transfer between funds. All other income is recorded when earned. Funds received in advance of being earned are reflected as deferred revenue in the accompanying combined statements of net position.

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Notes to Combined General Purpose Financial Statements
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1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

Capital assets are recorded at cost, if purchased, or fair value at the time of donation. Renewals and betterments are capitalized, while repair and maintenance are expensed as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Land	N/A
Buildings and building improvements	10 - 40 years
Land improvements	15 years
Furniture and equipment	3 - 7 years
Leasehold improvements	Life of lease

The Schools purchase classroom supplies, which include textbooks, literature and other materials to carry on educational activities. These purchases are expensed in the year of acquisition.

The land, buildings, and leasehold improvements are pledged as security for the bonds and notes payable described in Notes 8 and 10.

Financing Costs

The Organization adopted Governmental Accounting Standards Board No. 65, *Items Previously Reported as Assets and Liabilities*. Accordingly, financing costs are expensed when incurred. During fiscal years 2016 and 2015, the Organization incurred \$35,980 and \$32,532, respectively, of financing costs, which are included in professional fees in the accompanying combined statements of revenues, expenses and changes in net position.

Estimates

The preparation of combined general purpose financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the combined general purpose financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

In-Kind Goods and Services

The City of Boston provides in-kind transportation to the Schools for transporting certain students as required by law. The Commonwealth provides pension payments on behalf of the Schools (see Note 6). These services are reflected in the accompanying combined general purpose financial statements based upon the estimated value assigned by management.

The Schools and the Foundation also receive donated services from a variety of volunteers. No amounts have been recognized in the accompanying combined general purpose financial statements, since these services do not meet the criteria for recording in accordance with accounting principles generally accepted in the United States of America.

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1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to GASB 72, *Fair Value Measurement and Application*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants at the measurement date.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and which reflect the assumptions that market participants would use when pricing an asset or liability. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using level 1 inputs.

Subsequent Events

Subsequent events have been evaluated through October 25, 2016, which is the date the combined general purpose financial statements were available to be issued. See Note 24 for subsequent events disclosure.

Grants Receivable and Allowance for Doubtful Accounts

Grants receivable consist of government and private grants (see Note 14). An allowance for doubtful accounts is recorded based on management's analysis of specific grants and contracts that may be uncollectible, if any. As of June 30, 2016 and 2015, there is no allowance for doubtful accounts.

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Notes to Combined General Purpose Financial Statements
 June 30, 2016 and 2015

2. CAPITAL ASSETS

Capital assets consist of the following at June 30:

<u>Brooke Roslindale</u>	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance June 30, 2016</u>
Capital assets:				
Land	\$ 2,111,116	\$ -	\$ -	\$ 2,111,116
Buildings	22,510,662	4,112	-	22,514,774
Building improvements	3,594,859	877,747	-	4,472,606
Furniture and equipment	<u>597,712</u>	<u>-</u>	<u>-</u>	<u>597,712</u>
Total capital assets	<u>28,814,349</u>	<u>881,859</u>	<u>-</u>	<u>29,696,208</u>
Less - accumulated depreciation:				
Buildings	1,791,873	575,766	-	2,367,639
Building improvements	668,657	104,591	-	773,248
Furniture and equipment	<u>550,715</u>	<u>17,443</u>	<u>-</u>	<u>568,158</u>
Total accumulated depreciation	<u>3,011,245</u>	<u>697,800</u>	<u>-</u>	<u>3,709,045</u>
Capital assets, net	<u>\$ 25,803,104</u>	<u>\$ 184,059</u>	<u>\$ -</u>	<u>\$ 25,987,163</u>
<u>Brooke Roslindale</u>	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance June 30, 2015</u>
Capital assets:				
Land	\$ 2,111,116	\$ -	\$ -	\$ 2,111,116
Buildings	5,852,245	-	16,658,417	22,510,662
Building improvements	3,589,374	5,485	-	3,594,859
Construction in progress	15,745,187	913,230	(16,658,417)	-
Furniture and equipment	<u>597,712</u>	<u>-</u>	<u>-</u>	<u>597,712</u>
Total capital assets	<u>27,895,634</u>	<u>918,715</u>	<u>-</u>	<u>28,814,349</u>
Less - accumulated depreciation:				
Buildings	1,249,411	542,462	-	1,791,873
Building improvements	578,864	89,793	-	668,657
Furniture and equipment	<u>524,542</u>	<u>26,173</u>	<u>-</u>	<u>550,715</u>
Total accumulated depreciation	<u>2,352,817</u>	<u>658,428</u>	<u>-</u>	<u>3,011,245</u>
Capital assets, net	<u>\$ 25,542,817</u>	<u>\$ 260,287</u>	<u>\$ -</u>	<u>\$ 25,803,104</u>

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Notes to Combined General Purpose Financial Statements
 June 30, 2016 and 2015

2. CAPITAL ASSETS (Continued)

<u>Brooke Mattapan</u>	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Balance June 30, 2016</u>
Capital assets:			
Leasehold improvements	\$ 22,959	\$ 8,001	\$ 30,960
Furniture and equipment	<u>211,393</u>	<u>-</u>	<u>211,393</u>
Total capital assets	<u>234,352</u>	<u>8,001</u>	<u>242,353</u>
Less - accumulated depreciation:			
Leasehold improvements	22,959	101	23,060
Furniture and equipment	<u>119,280</u>	<u>27,706</u>	<u>146,986</u>
Total accumulated depreciation	<u>142,239</u>	<u>27,807</u>	<u>170,046</u>
Capital assets, net	<u>\$ 92,113</u>	<u>\$ (19,806)</u>	<u>\$ 72,307</u>
<u>Brooke Mattapan</u>	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Balance June 30, 2015</u>
Capital assets:			
Leasehold improvements	\$ 22,959	\$ -	\$ 22,959
Furniture and equipment	<u>211,393</u>	<u>-</u>	<u>211,393</u>
Total capital assets	<u>234,352</u>	<u>-</u>	<u>234,352</u>
Less - accumulated depreciation:			
Leasehold improvements	22,959	-	22,959
Furniture and equipment	<u>93,274</u>	<u>26,006</u>	<u>119,280</u>
Total accumulated depreciation	<u>116,233</u>	<u>26,006</u>	<u>142,239</u>
Capital assets, net	<u>\$ 118,119</u>	<u>\$ (26,006)</u>	<u>\$ 92,113</u>

**BROOKE CHARTER SCHOOL ROSLINDALE,
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2. CAPITAL ASSETS (Continued)

<u>Brooke East Boston</u>	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance June 30, 2016</u>
Capital assets:				
Leasehold improvements	\$ 17,765	\$ 128,046	\$ 74,675	\$ 220,486
Furniture and equipment	165,918	10,927	-	176,845
Construction in progress	<u>9,772</u>	<u>64,903</u>	<u>(74,675)</u>	<u>-</u>
Total capital assets	<u>193,455</u>	<u>203,876</u>	<u>-</u>	<u>397,331</u>
Less - accumulated depreciation:				
Leasehold improvements	17,765	9,784	-	27,549
Furniture and equipment	<u>70,273</u>	<u>25,328</u>	<u>-</u>	<u>95,601</u>
Total accumulated depreciation	<u>88,038</u>	<u>35,112</u>	<u>-</u>	<u>123,150</u>
Capital assets, net	<u>\$ 105,417</u>	<u>\$ 168,764</u>	<u>\$ -</u>	<u>\$ 274,181</u>
<u>Brooke East Boston</u>	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance June 30, 2015</u>
Capital assets:				
Leasehold improvements	\$ 17,765	\$ -	\$ -	\$ 17,765
Furniture and equipment	165,918	-	-	165,918
Construction in progress	<u>-</u>	<u>9,772</u>	<u>-</u>	<u>9,772</u>
Total capital assets	<u>183,683</u>	<u>9,772</u>	<u>-</u>	<u>193,455</u>
Less - accumulated depreciation:				
Leasehold improvements	17,765	-	-	17,765
Furniture and equipment	<u>43,022</u>	<u>27,251</u>	<u>-</u>	<u>70,273</u>
Total accumulated depreciation	<u>60,787</u>	<u>27,251</u>	<u>-</u>	<u>88,038</u>
Capital assets, net	<u>\$ 122,896</u>	<u>\$ (17,479)</u>	<u>\$ -</u>	<u>\$ 105,417</u>

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2. CAPITAL ASSETS (Continued)

<u>B2 LLC</u>	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance June 30, 2016</u>
Capital assets:				
Land	\$ 3,890,000	\$ -	\$ -	\$ 3,890,000
Building	17,421,970	100,327	-	17,522,297
Land improvements	1,006,881	-	-	1,006,881
Furniture and equipment	<u>81,610</u>	<u>-</u>	<u>-</u>	<u>81,610</u>
Total capital assets	<u>22,400,461</u>	<u>100,327</u>	<u>-</u>	<u>22,500,788</u>
Less - accumulated depreciation:				
Building	392,987	453,702	-	846,689
Land improvements	61,532	67,125	-	128,657
Furniture and equipment	<u>20,370</u>	<u>22,222</u>	<u>-</u>	<u>42,592</u>
Total accumulated depreciation	<u>474,889</u>	<u>543,049</u>	<u>-</u>	<u>1,017,938</u>
Capital assets, net	<u>\$ 21,925,572</u>	<u>\$ (442,722)</u>	<u>\$ -</u>	<u>\$ 21,482,850</u>
<u>B2 LLC</u>	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance June 30, 2015</u>
Capital assets:				
Land	\$ 3,890,000	\$ -	\$ -	\$ 3,890,000
Building	-	-	17,421,970	17,421,970
Land improvements	-	-	1,006,881	1,006,881
Furniture and equipment	-	81,610	-	81,610
Construction in progress	<u>16,149,253</u>	<u>2,279,598</u>	<u>(18,428,851)</u>	<u>-</u>
Total capital assets	<u>20,039,253</u>	<u>2,361,208</u>	<u>-</u>	<u>22,400,461</u>
Less - accumulated depreciation:				
Building	-	392,987	-	392,987
Land improvements	-	61,532	-	61,532
Furniture and equipment	<u>-</u>	<u>20,370</u>	<u>-</u>	<u>20,370</u>
Total accumulated depreciation	<u>-</u>	<u>474,889</u>	<u>-</u>	<u>474,889</u>
Capital assets, net	<u>\$ 20,039,253</u>	<u>\$ 1,886,319</u>	<u>\$ -</u>	<u>\$ 21,925,572</u>

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2. CAPITAL ASSETS (Continued)

<u>Brooke 2 MT LLC</u>	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Balance June 30, 2016</u>
Capital assets:			
Furniture and equipment	\$ -	\$ 53,302	\$ 53,302
Less - accumulated depreciation	<u>-</u>	<u>1,829</u>	<u>1,829</u>
Capital assets, net	<u>\$ -</u>	<u>\$ 51,473</u>	<u>\$ 51,473</u>

At June 30, 2015, construction in progress for Brooke East Boston included costs incurred relating to the purchase and construction of a Brooke East Boston playground. During fiscal year 2016, the Brooke East Boston playground was completed and placed in service. During fiscal year 2015, the Brooke East Boston and Brooke Mattapan buildings were completed and the construction in progress was transferred to buildings. These assets were depreciated beginning in fiscal year the asset was placed in service.

3. FUNDING AND CONCENTRATIONS

The Schools receive significant funding from the Commonwealth and various Federal agencies for their tuition and grant revenue. This funding is subject to audit by the appropriate governmental agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the combined financial position of the Schools as of June 30, 2016 and 2015, or on the changes in their net position for the years then ended. The Schools had the following concentrations of operating revenue from the Commonwealth for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Brooke Roslindale	59%	70%
Brooke Mattapan	84%	85%
Brooke East Boston	87%	86%

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4. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances, including restricted deposits, in various banks and financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures balances up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

As required by GASB Statement No. 40, *Deposits and Invested Risk Disclosures*, the following represents a summary of deposits at June 30, 2016:

<u>2016</u>	<u>Brooke Roslindale</u>	<u>Brooke Mattapan</u>	<u>Brooke East Boston</u>	<u>Brooke Support Corp</u>
Fully insured	\$ 250,000	\$ 250,000	\$ 250,000	\$ 873
Uncollateralized	<u>7,441,226</u>	<u>4,355,243</u>	<u>2,066,009</u>	<u>-</u>
	<u>\$ 7,691,226</u>	<u>\$ 4,605,243</u>	<u>\$ 2,316,009</u>	<u>\$ 873</u>
<u>2016</u>		<u>B2 LLC</u>	<u>Brooke 2 MT LLC</u>	<u>Foundation</u>
Fully insured		\$ 323,705	\$ 250,000	\$ 250,084
Uncollateralized		<u>-</u>	<u>67,292</u>	<u>743,103</u>
		<u>\$ 323,705</u>	<u>\$ 317,292</u>	<u>\$ 993,187</u>

The following represents a summary of deposits at June 30, 2015:

<u>2015</u>	<u>Brooke Roslindale</u>	<u>Brooke Mattapan</u>	<u>Brooke East Boston</u>	<u>Brooke Support Corp</u>
Fully insured	\$ 250,000	\$ 250,000	\$ 250,000	\$ 25,761
Uncollateralized	<u>7,229,460</u>	<u>3,717,645</u>	<u>2,427,270</u>	<u>-</u>
	<u>\$ 7,479,460</u>	<u>\$ 3,967,645</u>	<u>\$ 2,677,270</u>	<u>\$ 25,761</u>
<u>2015</u>		<u>B2 LLC</u>	<u>Brooke 2 MT LLC</u>	<u>Foundation</u>
Fully insured		\$ 282,845	\$ 36,671	\$ 250,084
Uncollateralized		<u>6,583</u>	<u>-</u>	<u>1,610,977</u>
		<u>\$ 289,428</u>	<u>\$ 36,671</u>	<u>\$ 1,861,061</u>

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5. LEASE COMMITMENTS

Brooke Roslindale

On December 28, 2005, Brooke Roslindale and the Foundation entered into a ninety-nine year lease agreement in which Brooke Roslindale leases land and a building from the Foundation. The lease expires on December 28, 2104, with no right to extend or renew the lease. During 2006, Brooke Roslindale made the required initial payment of \$6,960,000, upon the execution of the lease. Thereafter, the annual rental payment is \$1 per year. In accordance with lease accounting standards under U.S. GAAP, the lease meets the criteria of a “capital” lease on Brooke Roslindale’s general purpose financial statements. Accordingly, the \$6,960,000 has been capitalized and included in capital assets as building and land (see Note 2) on Brooke Roslindale’s general purpose financial statements. Brooke Roslindale is responsible for all costs and expenses relating to the use, occupancy, operation, maintenance and repairs, and maintenance of insurance on the premises.

Brooke Roslindale Auxiliary Space

Brooke Roslindale leases space under a lease agreement which expires in July 2017, as extended. Under the agreement, Brooke Roslindale pays monthly rent ranging from \$21,680 to \$26,858 as defined in the agreement. Rent paid during fiscal years 2016 and 2015 was \$268,294 and \$310,107, respectively. Brooke Roslindale subleased this space to a sub-tenant for an amount equal to the rent payments through June 30, 2016. Rental income under this agreement totaled \$261,205 and \$244,494 for the years ended June 30, 2016 and 2015, respectively.

Brooke Mattapan

During June 2014, B2 LLC entered into a capital lease agreement for the Brooke Mattapan building (150 American Legion Highway Condominium – the School and Gym Units) with Brooke Roslindale. The lease has a term of seventy-five years expiring in December 2089. In accordance with lease accounting standards under U.S. GAAP, the lease meets the criteria of a capital lease. This lease requires base rent payments totaling \$22,332,865, of which all has been considered paid as of June 30, 2016. Upon commencement of the lease, B2 LLC made a base rent payment of \$7,503,842. \$12,578,656 of the base rent obligation was converted to the Direct Loan (see page 37) and B2 LLC financed the remaining \$2,250,367 through the Master Tenant Loan (see Note 10).

Concurrent with the above capital lease agreement, Brooke 2 MT LLC entered into a nineteen-year master lease agreement for the Brooke Mattapan building with B2 LLC. The lease agreement requires quarterly payments of \$290,748 beginning in September 2014, which increase annually as defined in the agreement, through June 2033. In accordance with lease accounting standards under U.S. GAAP, the lease payment and receipts are being recorded on a straight-line basis. As of June 30, 2016 and 2015, there is \$713,938 and \$374,414, respectively, of accrued rent liability recorded on Brooke 2 MT LLC and accrued rental income on B2 LLC related to this lease.

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5. LEASE COMMITMENTS (Continued)

Brooke Mattapan (Continued)

Concurrent with the master lease agreement (on page 24), Brooke Mattapan and Brooke 2 MT LLC entered into a five-year sublease agreement for the Brooke Mattapan building. The sublease agreement requires quarterly payments of \$296,681 beginning in September 2014, which increase annually as defined in the agreement. The sublease agreement expires in June 2020, with the option to renew for twelve additional years. In accordance with lease accounting standards under U.S. GAAP, the lease payment and receipts are being recorded on a straight-line basis. As of June 30, 2016 and 2015, there is \$149,690 and \$92,646, respectively, of accrued rent liability recorded on Brooke Mattapan and accrued rental income on Brooke 2 MT LLC related to this lease.

Brooke East Boston Temporary Facility

On June 1, 2012, Brooke East Boston entered into a twenty-six month facility lease agreement. The lease expired on August 31, 2014. Total rent expense under this agreement was \$36,160 for the year ended June 30, 2015.

Shared Use Agreement

As part of the purchase agreement for the building acquired in East Boston, Massachusetts during fiscal year 2013 (see Note 7), Brooke Roslindale entered into a shared use agreement for the use of a gymnasium building and a playing field located near the acquired building. The agreement is for a term of ninety-nine years commencing upon Brooke East Boston occupying the building. In accordance with the agreement, Brooke Roslindale is required to make an annual shared use payment of \$50,000 to the owner of the gymnasium and playing field, which increases annually based on the Consumer Price Index.

Under the agreement, Brooke Roslindale has the right of first refusal to purchase the gymnasium and playing field. The agreement may be cancelled by Brooke Roslindale with six months' notice. Payments of \$50,000 were made during fiscal years 2016 and 2015.

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5. LEASE COMMITMENTS (Continued)

Equipment Leases

Brooke Roslindale and Brooke Mattapan lease equipment under operating lease agreements which require aggregate monthly payments of \$3,012 and \$1,083, respectively. These leases expire on various dates through July 2018.

Future minimum cash payments under these agreements are as follows:

	<u>Brooke Roslindale Auxiliary Space</u>	<u>Brooke Mattapan</u>		
	<u>Rent Expense</u>	<u>Brooke Mattapan Expense</u>	<u>Brooke 2 LLC Expense</u>	<u>Equipment</u>
2017	\$ 274,731	\$ 1,258,997	\$ 1,233,817	\$ 38,939
2018	\$ 22,937	\$ 1,296,766	\$ 1,270,831	\$ 15,172
2019	\$ -	\$ 1,335,669	\$ 1,308,956	\$ 4,867
2020	\$ -	\$ 1,375,740	\$ 1,348,225	\$ -
2021	\$ -	\$ -	\$ 1,388,671	\$ -
2022 - 2026	\$ -	\$ -	\$ 7,593,825	\$ -
2027 - 2031	\$ -	\$ -	\$ 8,803,324	\$ -
2032 - 2033	\$ -	\$ -	\$ 3,902,160	\$ -

The above payments for the Mattapan facility are cash outflows for Brooke Mattapan and cash inflows for B2 LLC. In addition, the above payments "Brooke 2 LLC Expense" represent cash rent outflows for B2 LLC and cash inflows for Brooke 2 MT LLC.

6. RETIREMENT PLANS

The Schools' teaching staff and certain administrators participate individually in the Massachusetts Teachers' Retirement System (MTRS). MTRS is managed by the Commonwealth. The Schools are not legally required to contribute to MTRS. All full-time teaching staff and administrators are covered by and must participate in MTRS. The teachers and the Schools are exempt from Federal social security taxes for these employees. Benefits vest fully after ten years of full-time employment. An employee may receive retirement benefits after twenty years of service or ten years of service having attained the age of 55. Covered employees are required by state statute to contribute 5% to 11% of their salaries, depending on their date of hire, and an additional 2% of their salary in excess of \$30,000 to the plan.

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6. RETIREMENT PLANS (Continued)

The Schools follow GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions an Amendment of GASB Statement No. 27* (GASB 27), which requires the Schools to recognize its proportionate share of pension expense and in-kind revenue, "on behalf of payments", related to MTRS, as reported by the Commonwealth. In accordance with GASB 68, the Schools' arrangement meets the definition of a special funding situation, whereby the Schools do not contribute to MTRS and the Commonwealth is required to make actuarially determined contributions to maintain the financial integrity of the retirement system. The Schools' proportionate share of MTRS pension expense, as calculated under GASB 68, was \$2,579,514 and \$1,458,407 for the years ended June 30, 2016 and 2015, respectively, which is included in in-kind transportation and pension and in-kind pension in the accompanying combined statements of revenues, expenses and changes in net position. The Schools' proportionate share of MTRS's net pension liability was \$31,803,091 and \$20,991,891 at the measurement date selected by the Commonwealth of June 30, 2015 and 2014. In accordance with the special funding situation under GASB 68, this amount has not been recorded in the accompanying combined general purpose financial statements.

The Schools' proportionate share of the MTRS's pension expense and liability is as follows as of and for the year ended June 30, 2016:

	Proportionate Share of MTRS Liability	Proportionate Share of Pension Expense - In-kind
Brooke Roslindale	\$ 14,053,095	\$ 1,139,831
Brooke Mattapan	\$ 9,685,641	\$ 785,592
Brooke East Boston	\$ 8,064,355	\$ 654,091

The Schools' proportionate share of the MTRS's pension expense and liability is as follows as of and for the year ended June 30, 2015:

	Proportionate Share of MTRS Liability	Proportionate Share of Pension Expense - In-kind
Brooke Roslindale	\$ 9,849,324	\$ 684,280
Brooke Mattapan	\$ 6,141,367	\$ 426,670
Brooke East Boston	\$ 5,001,200	\$ 347,457

The Schools contributed the following to MTRS, as required by certain government grants, for the years ended June 30:

	2016	2015
Brooke Roslindale	\$ 26,981	\$ 24,806
Brooke Mattapan	\$ 27,395	\$ 28,141
Brooke East Boston	\$ 26,022	\$ 19,564

The Schools also sponsor a defined contribution retirement plan (the Plan) covering all eligible employees under IRC Section 403(b). The Schools do not contribute to this plan.

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7. BUILDING ACQUISITION AND TRANSFERS

During November 2012, Brooke Roslindale purchased land and a building in Mattapan, Massachusetts, from a community development corporation for \$4,583,250. The land and building were simultaneously transferred into a newly created condominium association and the building was subdivided into three condominiums. Two of the condominium units, the School Unit and the Gymnasium Unit, were retained by Brooke Roslindale and currently house Brooke Mattapan. The third condominium unit was retained by the seller. At closing, Brooke Roslindale was required to pay the seller cash of \$2,098,250, which was funded by various notes and bonds payable (see Notes 8, 10 and 11). The remaining purchase price was financed by a note payable with the seller in the amount of \$2,485,000 (see Note 10 – Seller’s Note).

During fiscal year 2014, construction in progress and acquisition costs of \$19,099,253 were transferred to B2 LLC as part of the capital lease agreement (see Note 5). During August 2014, the renovations were completed and the facility was placed in service.

Brooke 2 MT LLC has a leasehold interest in the facility discussed above, which qualifies for rehabilitation tax credits under Section 47 of the IRC. On June 17, 2014, Brooke 2 MT LLC and B2 LLC executed a pass-through agreement, pursuant to which B2 LLC elected under IRC Section 50 to pass-through to Brooke 2 MT LLC the HTC’s to which B2 LLC is otherwise entitled as a result of the rehabilitation of this historical building. During fiscal year 2016, \$2,418,750 of HTC’s passed through to Brooke 2 MT LLC to its members. The members in turn used the proceeds for an additional capital contribution. These funds were used to fund the Brooke 2 MT LLC’s furniture and equipment reserve (see Note 12), and the second disbursement of the Master Tenant loan (see Note 10).

The Brooke Mattapan facility also qualified for Massachusetts Historic Rehabilitation Tax Credits (State HRTC) authorized by the Commonwealth. Brooke 2 LLC received an allocation of approximately \$1,500,000 of State HRTC, which were claimed upon final certification of the Brooke Mattapan facility. Brooke 2 LLC transferred the State HRTC to Brooke Roslindale who, during fiscal year 2015, sold the State HRTC to an unrelated third party for \$1,335,000. Brooke Roslindale used the proceeds to pay off a portion of the Seller’s Note and the note payable to Local Initiative Support Corporation (see Note 10).

Recapture of the HTC’s and State HRTC’s would occur if the Property is sold or taken out of service within five years of being placed in service, reduced by 20% on each anniversary of the original placed in service date. No adjustments have been made for this recapture.

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8. BONDS PAYABLE

Bonds payable consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Bonds issued at a discount:		
Series 2004 QZAB	\$ 3,000,000	\$ 3,000,000
Series 2012C QZAB	1,231,698	1,231,698
Series 2012A QZAB	18,000,000	18,000,000
Series 2013D QZAB	<u>5,883,000</u>	<u>5,883,000</u>
Bond issuances	28,114,698	28,114,698
Bond discounts	<u>(8,937,010)</u>	<u>(8,937,010)</u>
Net proceeds	19,177,688	19,177,688
Accumulated amortization of bond discount	<u>1,658,359</u>	<u>1,254,996</u>
Total bonds issued at a discount	<u>20,836,047</u>	<u>20,432,684</u>
Bonds issued at par:		
Series 2012B Revenue Bonds	2,970,000	2,970,000
Series 2013E Revenue Bonds	<u>6,948,259</u>	<u>7,000,000</u>
Total bonds at par	<u>9,918,259</u>	<u>9,970,000</u>
	30,754,306	30,402,684
Less - current portion	<u>206,763</u>	<u>51,753</u>
Total bonds payable	<u>\$ 30,547,543</u>	<u>\$ 30,350,931</u>

Qualified Zone Academy Bonds - Series 2004 QZAB

On December 1, 2004, the Foundation and Brooke Roslindale jointly entered into agreements with Massachusetts Development Finance Agency (MDFA) and a trust company in connection with the issuance of \$3,000,000 of MDFA Qualified Zone Academy Revenue Bonds (QZAB), Series 2004 (Series 2004 QZAB). Under these agreements, the Foundation had access to \$2,457,990 of bond proceeds, which were used for renovations of Brooke Roslindale's building and other operating and capital costs. The bond proceeds were net of a discount of \$542,010. This discount is being amortized over the life of the bond. During the years ended June 30, 2016 and 2015, \$33,878 and \$33,874, respectively, of the discount was amortized. Principal payments may be made through bond redemptions, the amount of which increases annually from \$2,610,000 on December 30, 2004, to \$3,140,000 on December 30, 2020. The bond bears no stated interest. At maturity, December 31, 2020, the Foundation is obligated to pay the par amount of the bond, \$3,000,000.

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8. BONDS PAYABLE (Continued)

Qualified Zone Academy Bonds - Series 2004 QZAB (Continued)

During November 2012, Brooke Roslindale entered into a \$3,140,000 irrevocable stand-by letter of credit with a bank as security for the Series 2004 QZAB. The letter of credit is subject to renewal annually in November. Upon Brooke Roslindale entering into the letter of credit agreement, the related bond liability was transferred to Brooke Roslindale from the Foundation. The net balance of the bond liability was \$2,784,655 at the date of transfer. The letter of credit requires an annual fee due each November through 2020. The fee was \$15,615 and \$17,402 for fiscal years 2016 and 2015, respectively, which is included in interest and fees in the accompanying combined statements of revenues, expenses and changes in net position.

Qualified Zone Academy Bonds - Series 2012C QZAB

During December 2012, the Foundation purchased \$1,231,698 par amount of QZAB, Series 2012C bonds (Series 2012C QZAB) issued by Brooke Roslindale at a discounted purchase price of \$799,698 (net of a discount of \$432,000). This discount is being amortized over the life of the bonds. During the years ended June 30, 2016 and 2015, \$18,783 of the discount was amortized, which is included in interest and fees in the accompanying combined statements of revenues, expenses and changes in net position. The bonds have a stated interest rate of 4.34%. There are no principal payments required until December 2035, the bonds maturity, at which time all principal and accrued interest are due. Interest is payable quarterly to the Foundation by Brooke Roslindale.

In accordance with IRC Section 54A, Brooke Roslindale is entitled to an interest rebate from the Department of Treasury equal to the quarterly stated interest of the bonds. For the years ended June 30, 2016 and 2015, Brooke Roslindale recognized interest expense and interest rebate revenue of \$53,456, related to the Series 2012C QZAB bonds. These amounts are on a net basis in interest and fees expense in the accompanying combined statements of revenues, expenses and changes in net position. As bond owner, the Foundation has recognized interest income related to the interest rebate of the same amount.

Qualified Zone Academy Bonds - Series 2012A QZAB

During December 2012, the Foundation purchased \$18,000,000 par amount of QZAB, Series 2012A bonds (Series 2012A QZAB) issued by Brooke Roslindale at a discounted purchase price of \$12,100,000 (net of a discount of \$5,900,000). This discount is being amortized over the life of the bonds. During the years ended June 30, 2016 and 2015, \$268,182 and \$189,897, respectively, of the discount was amortized, which is included in interest and fees in the accompanying combined statements of revenues, expenses and changes in net position. The bonds have a stated interest rate of 5.07%. There are no principal payments required until November 2034, the bonds maturity, at which time all principal and accrued interest are due. Interest is payable quarterly to the Foundation by Brooke Roslindale. In accordance with IRC Section 54A, Brooke Roslindale is entitled to an interest rebate from the Department of Treasury equal to the quarterly stated interest of the bonds. For the years ended June 30, 2016 and 2015, Brooke Roslindale recognized interest expense and interest rebate revenue of \$912,600 related to the Series 2012A QZAB bonds. These amounts are on a net basis in interest and fees expense in the accompanying combined statements of revenues, expenses and changes in net position. As bond owner, the Foundation has recognized interest income related to the interest rebate of the same amount.

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8. BONDS PAYABLE (Continued)

Qualified Zone Academy Bonds - Series 2013D QZAB

During April 2013, the Foundation purchased \$5,883,000 par amount of QZAB, Series 2013D bonds (Series 2013D QZAB) issued by Brooke Roslindale at a discounted purchase price of \$3,820,000 (net of a discount of \$2,063,000). The bonds have no stated interest rate and mature in April 2038. There are no payments required until maturity. During the years ended June 30, 2016 and 2015, \$82,520 of the discount was amortized, which is included in interest and fees in the accompanying combined statements of revenues, expenses and changes in net position.

Pursuant to Section 54E of the IRC, the bond holder is entitled to certain tax credits associated with the bonds. During April 2013, the Foundation sold the first forty quarterly tax credit certificates, through March 15, 2023, associated with the bonds to another bank for \$2,052,367. Additional tax credits were retained that can be claimed from June 15, 2023, through June 15, 2038. In the event the tax credit status of the bonds is withdrawn by the Internal Revenue Service (IRS), the Foundation is responsible for reimbursing the bank for any lost tax credits. The proceeds from the sale of the tax credits have been reflected as deferred tax credit income and will be recognized as the bank earns the tax credits. During June 2013, the bank began claiming the tax credits. The Foundation recognized \$207,719 of related income during fiscal years 2016 and 2015, which is recorded as tax credit income in the accompanying combined statements of revenues, expenses and changes in net position. The total revenue recognized since inception is \$650,265 and \$442,546 as of June 30, 2016 and 2015, respectively. The tax credits sold to the bank are guaranteed by the Foundation and the related liability is secured by a letter of credit from a bank.

During April 2013, the Foundation entered into a \$2 million irrevocable stand-by letter of credit with a bank. The letter of credit is security for another bank's interest in tax credits associated with the Series 2013D QZAB bonds purchased from the Foundation in April 2013. The letter of credit expires in April 2017, and is renewable annually through March 2023. The letter of credit is reduced quarterly based on the quarterly tax credit payments to the bank. The letter of credit requires an annual fee of 1% of credit available under the agreement, payable each July.

Series 2012B Revenue Bonds

During November 2012, the Foundation, as guarantor, and Brooke Roslindale jointly entered into agreements with a bank in connection with the issuance of \$2,970,000 of Edward W. Brooke Charter School, Revenue Bond, Series 2012B bonds (Series 2012B Revenue Bonds) by Brooke Roslindale. The bonds bear interest at an initial rate of 3.5% and are due on November 30, 2027. On December 1, 2022, the interest rate converts to the Federal Home Loan Bank of Boston Ten-Year Term, Classic Advance CDA Rate, plus 0.50%, subject to a minimum rate of 3.5% through maturity. Interest-only payments are due through December 1, 2025. Interest and principal payments are due on January 1, 2026, through maturity, as defined in the agreement. The bonds are subject to prepayment penalties, as defined in the agreement. Interest expense for the years ended June 30, 2016 and 2015, on these bonds was \$105,672 and \$103,940, respectively. Accrued interest at June 30, 2016 and 2015, was \$8,662.

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8. BONDS PAYABLE (Continued)

Series 2013E Revenue Bonds

During April 2013, Brooke Roslindale and the Foundation jointly entered into an agreement with Boston Private Bank & Trust Co. (Boston Private) in connection with the issuance of \$7,000,000 of Brooke Charter School Roslindale Revenue Bonds, Series 2013E (Series 2013E Revenue Bonds). Under the agreement, Brooke Roslindale has access to \$7,000,000 of bond proceeds which were used to renovate Brooke East Boston's facility. The bonds bear interest at a fixed rate of 3.5% through June 2023. Thereafter, the rate is equal to 65% of the Federal Home Loan Bank of Boston Five-Year Term, Classic Advance Rate, plus 2.00%, subject to a floor of 3.00% through maturity, April 2028. Interest-only payments are due monthly beginning in June 2013, through June 2015, with monthly principal and interest payments due thereafter through maturity. Interest for the years ended June 30, 2016 and 2015, on these bonds was \$248,096 and \$248,403, respectively. Accrued interest at June 30, 2016 and 2015, was \$20,268 and \$20,417, respectively.

Future minimum principal and interest payments, net of rebates, on the bonds are as follows:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 206,763	\$ 1,314,677
2018	\$ 214,220	\$ 1,307,220
2019	\$ 221,947	\$ 1,299,493
2020	\$ 229,349	\$ 1,292,091
2021	\$ 3,238,225	\$ 1,283,215
2022 - 2026	\$ 2,108,562	\$ 6,261,178
2027 - 2031	\$ 6,699,193	\$ 5,186,938
2032 - 2036	\$ 19,231,698	\$ 3,593,411
2037 - 2038	\$ 5,883,000	\$ -

9. NOTE PAYABLE TO A BANK

Brooke Roslindale maintains a working capital cash flow line of credit agreement with a bank, which allows for borrowings up to \$600,000 at June 30, 2016 and 2015. Borrowings are due on demand and interest is payable monthly at the bank's prime rate (3.5% and 3.25% at June 30, 2016 and 2015, respectively). This line of credit must be repaid in full by June 30th of each year. This line of credit is secured by Brooke Roslindale's operating cash account and is guaranteed by the Foundation and Brooke Mattapan. There was no outstanding balance under this agreement at June 30, 2016 or 2015. The note is renewed annually by the bank.

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10. NOTES PAYABLE

Notes payable are comprised of the following at June 30:

	<u>2016</u>	<u>2015</u>
CDE 6 / Foundation Note	\$ 3,673,517	\$ 3,673,517
Bank notes payable	9,683,836	10,087,047
Local Initiatives Support Corporation	-	2,212,681
Charter School Growth Fund	500,000	2,821,555
Foundation notes	3,266,535	5,829,042
Seller's note	783,213	1,706,749
QLICI Loan A	5,224,100	5,224,100
QLICI Loan B	1,775,900	1,775,900
Master tenant loan	2,724,209	473,842
Direct loan	<u>11,792,350</u>	<u>12,173,016</u>
	39,423,660	45,977,449
Less - eliminations - Master tenant and direct loans	14,516,559	12,646,858
Less - current portion	<u>418,481</u>	<u>3,129,968</u>
Total	<u>\$ 24,488,620</u>	<u>\$ 30,200,623</u>

CDE 6 / Foundation Note

Brooke Roslindale has a \$3,673,517 note payable to the Foundation. At June 30, 2016 and 2015, the outstanding principal balance of this note of \$3,673,517 is included in notes and bonds receivable in the Foundation's statements of net position (see Note 13). The note bears interest at a variable rate, which will be reset to agree to the corresponding change in the London Interbank Offered Rate (LIBOR) rate, plus 275 basis points, through December 2035, the maturity date. Interest-only is due in twenty-two annual installments to the Foundation through the maturity date. The note may be prepaid in whole or in part at any time provided Brooke Roslindale provides the Foundation with a thirty (30)-day written notice of prepayment.

Interest expense under this agreement was \$108,197 and \$103,605 for fiscal years 2016 and 2015, respectively. Accrued interest at June 30, 2016 and 2015, was \$110,909 and \$139,966, respectively.

Bank Notes Payable

During November 2012, the Foundation entered into a \$6,640,000 note payable agreement with Boston Private. The note bears interest at 3.5% per annum and matures on November 30, 2022, at which time all principal and accrued interest are due. Interest-only payments were due through November 2014. Beginning in December 2014, principal and interest are due through maturity, as defined in the agreement (see page 34). Interest expense under this agreement was \$220,490 and \$233,020 for fiscal years 2016 and 2015, respectively. As of June 30, 2016 and 2015, the Foundation has recorded \$17,535 and \$18,727, respectively, of accrued interest under this agreement. The note has a prepayment penalty of up to 3% through November 2021. After November 2014, the Foundation may prepay up to 10% of the outstanding balance in any given year with no prepayment penalty.

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10. NOTES PAYABLE (Continued)

Bank Notes Payable (Continued)

Monthly principal and interest payments are due as follows:

July 2016 through December 2019	\$ 52,083
January 2020 through December 2020	\$ 122,917
January 2021 through November 30, 2022	\$ 135,751

During November 2012, the Foundation entered into a \$3,674,000 note payable agreement with Boston Private. The note bears interest at 3.66% through November 2022, at which time the rate will adjust to a fixed rate at the Federal Home Loan Bank of Boston Five-Year Term, Classic Advance CDA Rate, plus 1.5%, with a floor of 3.5% through the note's maturity, November 2027. The note requires monthly interest-only payments through maturity, at which time the principal balance and any remaining accrued interest are due. Interest expense under this agreement was \$136,710 and \$136,336 for fiscal years 2016 and 2015, respectively. As of June 30, 2016 and 2015, the Foundation has recorded \$11,206 of accrued interest under this agreement. The note has a prepayment penalty of up to 3% through November 2026. After November 2014, the Foundation may prepay up to 10% of the outstanding balance with no prepayment penalty.

The bank notes were used to fund a portion of the purchase of the Series 2012A QZAB bonds (see Note 8), the acquisition of the property in Mattapan, Massachusetts, and closing costs.

Both bank notes are secured by a mortgage on property located in Roslindale, Massachusetts and Mattapan, Massachusetts and are guaranteed by the Schools.

Local Initiatives Support Corporation

During November 2012, the Foundation entered into a \$3,500,000 note payable agreement with a nonprofit corporation, Local Initiatives Support Corporation. The note bore interest at 6.2% per annum and required interest-only payments through December 2013. Principal and interest payments were due from January 2014, through the note's maturity, December 1, 2019. During fiscal year 2015, the Foundation made an additional principal payment of \$569,565. During fiscal year 2016, the Foundation paid off the note payable. Interest expense under this agreement was \$67,376 and \$175,090 for fiscal years 2016 and 2015, respectively. As of June 30, 2015, the Foundation had recorded \$11,477 of accrued interest under this agreement. This note was used to fund a portion of the Series 2012A QZAB bonds, the acquisition of property in Mattapan, Massachusetts, and closing costs. This note was secured by a mortgage on property located in Roslindale, Massachusetts and Mattapan, Massachusetts, and is guaranteed by Brooke Roslindale and Brooke Mattapan.

Charter School Growth Fund

During December 2012, the Foundation entered into a \$250,000 note payable agreement with a Delaware limited liability company, CSGF Facilities Loan Fund LLC (CSGF). The note bears interest at 3.25% per annum, which was amended to 1% effective February 2015. No payments are due until December 2019, the note's maturity.

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10. NOTES PAYABLE (Continued)

Charter School Growth Fund (Continued)

During April 2013, the Foundation entered into an unsecured \$3,200,000 note payable agreement with CSGF. The note bore interest at 3.75% per annum and was due in quarterly principal and interest payments beginning in July 2013 through July 2016, the note's maturity. Principal and interest payments were \$75,000 per quarter beginning in fiscal year 2014 and increased annually to \$250,000 per quarter in fiscal year 2016. During fiscal year 2016, the Foundation paid off the note payable.

During June 2013, the Foundation entered into a \$250,000 note payable agreement with CSGF. The note bears interest at 1% per annum. No payments are due until June 2018, the note's maturity.

Interest expense under these agreements was \$65,950 and \$114,034 for the years ended June 30, 2016 and 2015, respectively. As of June 30, 2016 and 2015, the Foundation has recorded \$31,582 and \$19,013, respectively, of accrued interest under these agreements.

Foundation Notes

During November 2012, the Foundation and Brooke Roslindale entered into a promissory note agreement whereby the Foundation loaned Brooke Roslindale \$4,063,379 of proceeds from certain notes payable for closing costs and the acquisition and improvement of property located in Mattapan, Massachusetts (see Note 7). The note bears interest at 8% per annum and is due in quarterly interest-only payments through December 2029, at which time all principal and accrued interest are due. During fiscal year 2016, Brooke Roslindale made a principal payment of \$1,503,844. Interest expense on this note was \$307,093 and \$327,242 for the years ended June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, \$143,473 and \$872,646, respectively, of interest expense are included in accrued interest in the accompanying combined general purpose financial statements.

During April 2013, the Foundation loaned a portion of the proceeds from the sale of tax credits and certain notes payable (see Note 8) totaling \$1,580,302 to Brooke Roslindale through a promissory note agreement. The note bore interest at an annual rate of 8% and required quarterly interest-only payments beginning in June 2013 through December 2030, the note's maturity, at which point all principal and accrued interest were due. During fiscal year 2015, Brooke Roslindale made a prepayment on this note totaling \$521,639. During fiscal year 2016, Brooke Roslindale paid off the note payable. Interest expense on this note was \$32,018 and \$116,766 for the years ended June 30, 2016 and 2015, respectively. At June 30, 2015, \$21,315 of interest expense is included in accrued interest in the accompanying combined general purpose financial statements.

During June 2014, the Foundation loaned Brooke Support Corp \$707,000 through a promissory note agreement. The note bears interest at an annual rate 0.25% and matures in June 2044. All principal and interest are due upon maturity. Interest expense on this note was \$889 and \$1,768 for the years ended June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, \$2,521 of interest expense is included in accrued interest in the accompanying combined general purpose financial statements.

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10. NOTES PAYABLE (Continued)

Seller's Note

During November 2012, Brooke Roslindale entered into a \$2,485,000 note payable with a nonprofit community development corporation in connection with the purchase of land and a building in Mattapan, Massachusetts (see Note 7). The note bears interest at 0.89% and is due on November 30, 2017, at which time all principal and accrued interest are due. Payments are to be made solely from 50% of the net proceeds of specific tax credits, as defined in the agreement. In the event after five years, the balance is not repaid with the aforementioned tax credits, the note is deemed forgiven. During fiscal year 2015, Brooke Mattapan's facility qualified for State HRTC's, which Brooke Roslindale sold for \$1,335,000. During the years ended June 30, 2016 and 2015, Brooke Roslindale paid additional principal of \$923,536 and \$613,797, respectively, in relation to selling the State HRTC's. Interest expense on this note was \$6,915 and \$15,190 for the years ended June 30, 2016 and 2015, respectively. At June 30 2016 and 2015, \$55,715 and \$48,744, respectively, of interest expense is included in accrued interest.

QLICI Loan A

During June 2014, B2 LLC entered into a loan agreement for \$5,224,100 with NTCIC-Brooke School, LLC, a NMTC lender. This note bears interest at 2.3% and matures on December 31, 2043. Quarterly interest payments are due beginning in September 2014 through June 2021. Commencing in September 2021 through December 2043, quarterly principal and interest payments of \$74,624 are due. The balance of principal and interest is due at maturity. Interest expense on this note was \$120,875 and \$125,576 for the years ended June 30, 2016 and 2015, respectively. This note is secured by a mortgage on Brooke Mattapan's facility.

QLICI Loan B

During June 2014, B2 LLC entered into a loan agreement for \$1,775,900 with NTCIC-Brooke School, LLC. This note bears interest at 2.3% and matures on December 31, 2043. Quarterly interest payments are due beginning in September 2014 through June 2021. Commencing in September 2021 through December 2043, quarterly principal and interest payments of \$25,368 are due. The balance of principal and interest is due at maturity. Interest expense on this note was \$41,091 and \$42,689 for the years ended June 30, 2016 and 2015, respectively. This note is secured by a mortgage on property located in Boston, Massachusetts.

Master Tenant Loan

During June 2014, B2 LLC entered into a loan agreement for up to \$2,724,209 with Brooke 2 MT LLC. As of June 30, 2015, only \$473,842 has been disbursed on the loan. The second disbursement of the loan, in the amount of \$2,250,367 was paid during fiscal year 2016. At June 30, 2016, the outstanding principal balance of this note was \$2,724,209. This note bears interest at 3.14% and matures on December 31, 2043. Quarterly interest payments are due beginning in September 2014 through June 2021. Commencing in September 2021 through December 2043, quarterly principal and interest payments of \$42,324 are due. The balance of principal and interest is due at maturity. Interest expense on this note was \$63,360 and \$12,936 for the years ended June 30, 2016 and 2015, respectively.

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10. NOTES PAYABLE (Continued)

Master Tenant Loan (Continued)

This note is secured by a mortgage on property located in Boston, Massachusetts and is guaranteed by Brooke Roslindale and Brooke Support Corp. This loan and the related note receivable on Brooke 2 MT LLC has been eliminated in the accompanying combined general purpose financial statements.

Direct Loan

During June 2014, B2 LLC entered into a loan agreement with Brooke Roslindale for up to \$15,302,865. As of June 30, 2016 and 2015, \$11,792,350 and \$12,173,016, respectively, is outstanding. This loan bears interest at 3.57% and matures on December 31, 2043. Interest expense on this note was \$421,281 and \$461,442 for the years ended June 30, 2016 and 2015, respectively. This loan is secured by a mortgage on property located in Boston, Massachusetts.

Quarterly payments of principal and interest are as follows:

September 2015 - December 2015	\$ 230,000
March 2016 - December 2016	\$ 239,000
March 2017 - December 2017	\$ 248,000
March 2018 - December 2018	\$ 257,000
March 2019 - December 2019	\$ 267,000
March 2020 - December 2020	\$ 277,000
March 2021 - December 2043	\$ 132,418

The balance of this loan and the related note receivable on Brooke Roslindale has been eliminated in the accompanying combined general purpose financial statements.

Future minimum payments on notes payable, excluding the Foundation Notes, Master Tenant Loan and the Direct Loan, are as follows as of June 30, 2016:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 418,481	\$ 618,052
2018	\$ 1,466,788	\$ 598,944
2019	\$ 449,214	\$ 577,800
2020	\$ 1,143,148	\$ 557,913
2021	\$ 1,439,151	\$ 512,181
2022 - 2026	\$ 3,633,998	\$ 1,996,646
2027 - 2031	\$ 5,085,518	\$ 1,286,544
2032 - 2036	\$ 5,257,626	\$ 870,329
2037 - 2041	\$ 1,777,805	\$ 222,035
2042 - 2044	\$ 968,837	\$ 31,090

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11. INVESTMENT CONTRACT

During November 2012, the Foundation entered into an investment contract agreement with Charter School Finance Partnership (CSFP), a Delaware limited liability company. CSFP deposited \$1,800,000 with the Foundation, which was used, along with other long-term debt proceeds, to make a loan to Brooke Roslindale (see Note 10) and support the QZAB Series 2013D bond financing.

Under the investment contract, CSFP is entitled to a 0.25% rate of return per annum and an annual asset management fee equal to 2.75% of the invested amount outstanding, payable in quarterly installments beginning in January 2013. The total interest and asset management fee for fiscal years 2016 and 2015 were \$32,373 and \$49,705, respectively, which are included in interest and fees expense in the accompanying combined statements of revenues, expenses and changes in net position. The investment contract required quarterly interest-only payments from January 2013 through January 2014, and quarterly principal and interest payments thereafter through October 2019, the contract's maturity. The investment contract is secured by the Foundation's interest in certain Qualified Zone Academy Revenue Bonds (see Note 8), as well as the Foundation's interest in the Direct Loan to Brooke Roslindale (see Note 10). As of June 30, 2016 and 2015, the Foundation has recorded \$774 and \$980, respectively, of accrued interest under this agreement. The outstanding balance of the investment contract at June 30, 2016 and 2015, was \$1,239,022 and \$1,567,666, respectively.

Future minimum payments on the investment contract are as follows as of June 30, 2016:

	<u>Principal</u>	<u>Interest and Asset Management Fee</u>
2017	\$ 338,615	\$ 12,983
2018	\$ 348,888	\$ 8,988
2019	\$ 359,473	\$ 4,872
2020	\$ 192,046	\$ 853

12. RESTRICTED RESERVES

Pursuant to the QZAB bond payable agreements (see Note 8), Brooke Roslindale is required to maintain debt service, collateral and project fund accounts. These accounts are held by the bonds' trustees. The debt service and collateral accounts are to be used for payment of principal and redemption of the bonds.

In accordance with the QLICI Loans A and B (see Note 10), B2 LLC was required to establish a reserve with an initial deposit of \$270,000. The reserve was established to fund certain fees associated with the related notes payable. Only approved expenditures may be paid from this fund.

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12. RESTRICTED RESERVES (Continued)

In accordance with the operating agreement of Brooke 2 MT LLC, a furniture and equipment reserve was established for the replacement of Brooke 2 MT LLC's owned furnishings, fixtures and equipment or payment of property expenses relates to Brooke Mattapan building. During fiscal years 2016 and 2015, there were deposits of \$233,982 and \$7,364, respectively, made into the reserve.

Restricted reserves consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Debt service reserves - QZAB	\$ 553,876	\$ 552,818
QLICI Loans A and B reserve	221,929	256,583
Replacement reserve – Brooke 2 MT LLC	188,044	7,364
Project accounts (QZAB and note payable proceeds)	<u>139,637</u>	<u>151,680</u>
	<u>\$ 1,103,486</u>	<u>\$ 968,445</u>

13. NOTES AND BONDS RECEIVABLE

During June 2014, Brooke Roslindale, as leverage lender for NMTC financing, entered into a \$5,224,100 note agreement with Chase NMTC Investment Fund LLC (the Investment Fund), the proceeds of which were used to make a qualified equity investment in accordance with Section 45D of the IRC in NTCIC – Brooke School, LLC, a community development entity, who in turn made loans to B2 LLC (see Note 10). The note bears interest at 3.1% beginning in July 2014 and quarterly interest-only payments are due beginning in September 2014 through the note's maturity of December 31, 2043, at which time all principal and accrued interest are due. Interest income on this note was \$161,947 and \$125,576 for the years ended June 30, 2016 and 2015, respectively.

In connection with the purchase and renovation of land and buildings in East Boston, Massachusetts and Mattapan, Massachusetts (see Note 7), the Foundation, as bond owner, entered into certain bond payable agreements with Brooke Roslindale and a bank (see Note 8). The Foundation and Brooke Roslindale also entered into certain note agreements (see Note 10 - Foundation Notes). Finally, the Foundation purchased an investor's interest in a note payable with Brooke Roslindale totaling \$3,673,517.

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13. NOTES AND BONDS RECEIVABLE (Continued)

In accordance with these long-term debt agreements, the Foundation, Brooke Roslindale, Brooke 2 MT LLC, and B2 LLC have recorded corresponding notes and bonds receivable, which include accrued interest as of June 30, 2016 and 2015, and consist of the following:

	<u>2016</u>	<u>2015</u>
Note receivable - 2005 NMTC refinancing (see page 33)	\$ 3,673,517	\$ 3,673,517
Direct loan (see page 37)	11,792,350	12,173,016
QLICI loan receivable	5,224,100	5,224,100
Foundation note receivable - Mattapan (see page 35)	2,559,535	4,063,379
Foundation note receivable - East Boston (see page 35)	-	1,058,663
Foundation note receivable - Brooke Support Corp (see page 35)	707,000	707,000
Bond receivable - QZAB 2013D (see page 31)	5,883,000	5,883,000
Bond receivable - QZAB 2012A (see page 30)	18,000,000	18,000,000
Bond receivable - QZAB 2012C (see page 30)	1,231,698	1,231,698
B2 LLC receivable - Master tenant loan (see pages 36 and 37)	<u>2,724,209</u>	<u>473,842</u>
	51,795,409	52,488,215
Less - elimination	14,516,559	12,646,858
Less - discount on QZAB's	<u>8,395,000</u>	<u>8,395,000</u>
Net proceeds	28,883,850	31,446,357
Interest income receivable on related entity notes	257,921	1,035,694
Accumulated amortization of discount (interest income)	<u>1,265,690</u>	<u>896,205</u>
	<u>\$ 30,407,461</u>	<u>\$ 33,378,256</u>

14. GRANTS RECEIVABLES

Grants receivables are from the following donors at June 30:

	<u>2016</u>	<u>2015</u>
Commonwealth of Massachusetts	\$ 215,822	\$ 47,022
Private donors	<u>352,051</u>	<u>712,179</u>
	<u>\$ 567,873</u>	<u>\$ 759,201</u>

Grants receivables are expected to be collected as follows:

<u>Amounts due in:</u>	<u>2016</u>	<u>2015</u>
Less than one year	\$ 490,520	\$ 613,731
One to five years	<u>77,353</u>	<u>145,470</u>
	<u>\$ 567,873</u>	<u>\$ 759,201</u>

The Organization has not recorded a discount on long-term receivables as the amount would be immaterial to the accompanying combined general purpose financial statements.

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BROOKE CHARTER SCHOOL EAST BOSTON,
THE BROOKE SCHOOL FOUNDATION, INC. AND AFFILIATES**

Notes to Combined General Purpose Financial Statements
June 30, 2016 and 2015

15. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are comprised of the following as of June 30:

<u>2016</u>	<u>Brooke Roslindale</u>	<u>Brooke Mattapan</u>	<u>Brooke East Boston</u>
Accrued salaries	83%	100%	97%
Payables to vendors	<u>17</u>	<u>-</u>	<u>3</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>
<u>2015</u>	<u>Brooke Roslindale</u>	<u>Brooke Mattapan</u>	<u>Brooke East Boston</u>
Accrued salaries	83%	85%	71%
Payables to vendors	<u>17</u>	<u>15</u>	<u>29</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

16. NETWORK CHARGES

Brooke Roslindale charges Brooke Mattapan and Brooke East Boston for administrative, academic services and facility costs utilized by each, which are reflected as network charges in the accompanying combined general purpose financial statements.

Network charges consist of the following for the years ended June 30, 2016 and 2015:

<u>2016</u>	<u>Brooke Mattapan</u>	<u>Brooke East Boston</u>
Network support	\$ 677,527	\$ 683,396
Facilities	720,000	720,000
Shared services	<u>113,817</u>	<u>132,494</u>
Total	<u>\$ 1,511,344</u>	<u>\$ 1,535,890</u>
<u>2015</u>	<u>Brooke Mattapan</u>	<u>Brooke East Boston</u>
Network support	\$ 75,392	\$ 531,574
Facilities	-	510,000
Shared services	<u>208,182</u>	<u>175,831</u>
Total	<u>\$ 283,574</u>	<u>\$ 1,217,405</u>

**BROOKE CHARTER SCHOOL ROSLINDALE,
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 THE BROOKE SCHOOL FOUNDATION, INC. AND AFFILIATES**

Notes to Combined General Purpose Financial Statements
 June 30, 2016 and 2015

17. MEMBER’S EQUITY, PROFIT AND LOSS ALLOCATIONS AND DISTRIBUTIONS

Brooke Support Corp is the sole member of B2 LLC. During fiscal year 2014, Brooke Support Corp invested \$675,000 in B2 LLC which has been eliminated in the accompanying combined general purpose financial statements. Profits and losses of B2 LLC are allocated 100% to Brooke Support Corp. For Federal tax purposes, B2 LLC has elected to be treated as a corporation.

Brooke Support Corp is the Managing Member of Brooke 2 MT LLC. During fiscal year 2014, Brooke Support Corp made capital contributions of \$6,239 to Brooke 2 MT LLC. The Investor Member (East West Bank) contributed \$617,603 during fiscal year 2014. Profits and losses of Brooke 2 MT LLC are allocated 99% to the Investor Member and 1% to the Managing Member. During fiscal year 2016, Brooke Support Corp and the Investor Member, in connection with Federal HTC’s passed through to the Investor Member (see Note 7), made additional capital contributions in Brooke 2 MT LLC of \$24,432 and \$2,418,750, respectively, in accordance with the operating agreement. The Investor Member’s capital contributions, along with the proportionate share of the Brooke 2 MT LLC’s loss, are presented as non-controlling interest in the accompanying combined statements of net position.

18. HTC AND NMTC PUT / CALL OPTION AGREEMENTS

On the last day of the NMTC investment period, on or about June 17, 2021, Chase Community Equity, LLC, who owns 100% of the Investment Fund (the Investor), has a right and option, but not an obligation, for a period of 90 days, to require the Foundation to purchase all of the Investor’s interest in the Investment Fund for a put exercise price of \$1,000. If the put is not exercised, then the Foundation has the right to purchase the Investor’s interest in the Investment Fund for fair market value, as determined by an independent appraiser.

East West Bank and Brooke Support Corp have entered into an agreement pursuant to which East West Bank has the right and option to require Brooke Support Corp. to purchase its interest in Brooke 2 MT LLC for an amount equal to the lesser of (i) the fair market value of such interest as determined by appraisal or (ii) five percent of East West Bank’s cumulative capital contributions in Brooke 2 MT LLC. The put option is exercisable for six months beginning at the end of the HTC recapture period, as defined in the related agreements.

19. DEFERRED TAX LIABILITY

B2 LLC has elected to be taxed as a corporation for Federal and Massachusetts income tax purposes. The temporary differences giving rise to the deferred tax liability consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Depreciation expense	\$ 146,700	\$ 160,000
Rental income	289,900	152,000
Federal net operating loss carryforward	<u>(158,000)</u>	<u>(158,000)</u>
	<u>\$ 278,600</u>	<u>\$ 154,000</u>

The provision for income taxes for the years ended June 30, 2016 and 2015, was approximately \$124,600 and \$154,000, respectively, which consists primarily of deferred tax expense and is included in miscellaneous expense in the accompanying combined statements of revenues, expenses and changes in net position.

**BROOKE CHARTER SCHOOL ROSLINDALE,
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Notes to Combined General Purpose Financial Statements
June 30, 2016 and 2015

20. CUMULATIVE SURPLUS REVENUE

Effective July 1, 2010, any cumulative surplus revenue generated by the Schools must comply with M.G.L.c.71. Section 89 (as amended by Chapter 12 of the Acts of 2010 under Section 8 (hh)). In accordance with this legislation and subsequent DESE regulations, if the Schools' cumulative surplus revenue, as defined, exceeds 20% of its operating budget and its budgeted capital costs for the succeeding fiscal year, the amount in excess of said 20% shall be returned by the Schools to the sending district or districts and the state in proportion to their share of tuition paid during the fiscal year.

As of June 30, 2016 and 2015, the Schools' cumulative surplus revenue was less than 20%; however, the calculation is subject to DESE review and approval. Management does not anticipate any material change in the calculation.

21. CONDITIONAL GRANT

During fiscal year 2016, the Foundation received a grant commitment from a donor totaling \$620,000 to support the growth of the Schools. The Foundation's receipt of \$444,000 of this grant is conditional upon the Schools meeting certain performance metrics as outlined in the grant letter. The balance of \$444,000 has not been reflected in the accompanying combined general purpose financial statements.

22. PRIOR PERIOD ADJUSTMENTS

During fiscal year 2016, upon final settlement of costs incurred relating to the Brooke Mattapan building project, it was determined that additional developer fees were earned by Brooke Roslindale for the B2 LLC's facility project. Accordingly, Brooke Roslindale recognized additional developer fee income and increased the direct loan by \$597,953, resulting in an increase to net position of \$597,953. B2 LLC recognized additional capital assets and an increase to the direct loan payable of \$597,953.

Changes in net position, capital assets, notes and bonds receivable, notes payable, and total net position have been restated as follows:

Brooke Roslindale:

Changes in net position for the year ended June 30, 2015, as previously stated	\$ 3,024,315
Developer fee income	<u>597,953</u>
Changes in net position for the year ended June 30, 2015, restated	<u>\$ 3,622,268</u>
Total net position and member's equity (deficit), June 30, 2015, as previously stated	\$ 11,892,972
Increase in changes in net position	<u>597,953</u>
Total net position and member's equity (deficit), June 30, 2015, restated	<u>\$ 12,490,925</u>

**BROOKE CHARTER SCHOOL ROSLINDALE,
BROOKE CHARTER SCHOOL MATTAPAN,
BROOKE CHARTER SCHOOL EAST BOSTON,
THE BROOKE SCHOOL FOUNDATION, INC. AND AFFILIATES**

Notes to Combined General Purpose Financial Statements
June 30, 2016 and 2015

22. PRIOR PERIOD ADJUSTMENTS (Continued)

Brooke Roslindale: (Continued)

Notes and bonds receivable, June 30, 2015, as previously stated	\$ 16,799,163
Additional disbursements	<u>597,953</u>
Notes and bonds receivable, June 30, 2015, restated	<u>\$ 17,397,116</u>

Brooke Support Corp / B2 LLC:

Capital assets, net, June 30, 2015, as previously stated	\$ 21,327,619
Developer fees capitalized	<u>597,953</u>
Capital assets, net, June 30, 2015, restated	<u>\$ 21,925,572</u>
Notes payable, June 30, 2015, as previously stated	\$ 19,755,905
Additional draws	<u>597,953</u>
Notes payable, June 30, 2015, restated	<u>\$ 20,353,858</u>

23. RECLASSIFICATIONS

Certain amounts in the fiscal year 2015 combined general purpose financial statements have been reclassified to conform with the fiscal year 2016 presentation.

24. SUBSEQUENT EVENTS

In July 2016, Brooke Roslindale entered into a purchase and sale agreement to acquire land for \$1,050,000. Upon execution of the agreement, Brooke Roslindale was required to make a deposit in the amount of \$50,000. Brooke Roslindale will construct a building to house the high school which began operations in 2017.

In August 2016, the Foundation was awarded a grant up to \$2,500,000 from a private donor. The grant includes a matching component up to \$750,000. The purpose of the grant is to assist the Organization to acquire and develop a permanent facility for its high school.

**BROOKE CHARTER SCHOOL ROSLINDALE,
 BROOKE CHARTER SCHOOL MATTAPAN,
 BROOKE CHARTER SCHOOL EAST BOSTON,
 THE BROOKE SCHOOL FOUNDATION, INC. AND AFFILIATES**

Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2016

<u>Federal Grantor/ Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education:			
Pass-through the Commonwealth of Massachusetts, Department of Education:			
Special Education_Grants to States	84.027	240-011-6-0428-Q 240-010-6-0443-Q 240-046-6-0457-Q	\$ 307,849
Supporting Effective Instruction State Grant (formerly, Improving Teacher Quality State Grants)	84.367	140-073313-2016-0428 140-073313-2016-0443 140-073305-2016-0457	26,182
Title I Grants to Local Educational Agencies	84.010	305-072387-2016-0428 305-072389-2016-0443 305-072391-2016-0457	876,402
Credit Enhancement for Charter School Facilities	84.354	N/A	<u>1,567,666</u>
Total Department of Education			2,778,099
U.S. Department of Agriculture:			
Pass-through the Commonwealth of Massachusetts, Department of Education:			
Child Nutrition Cluster: National School Lunch Program	10.555	SCDOE16758N70532112A SCDOE16758T70532112A SCDOE16758Z70531909A SCDOE16758Z70531925A SCDOE16758Z70531925B	<u>857,987</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,636,086</u></u>

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal assistance activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note 2. Loan Outstanding

The Organization's expenditures listed above include loan balances totaling \$1,239,022 as of June 30, 2016.



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

Independent Auditor's Report

To the Boards of Trustees of
Brooke Charter School Roslindale,
Brooke Charter School Mattapan,
Brooke Charter School East Boston,
The Brooke School Foundation, Inc. and Affiliates:

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 combined general purpose financial statements of Brooke Charter School Roslindale, Brooke Charter School Mattapan, Brooke Charter School East Boston, The Brooke School Foundation, Inc., Brooke Support Corporation, Brooke 2 LLC and Brooke 2 Master Tenant LLC (collectively, the Organization), which comprise the combined statement of net position as of June 30, 2016, and the related combined statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the combined general purpose financial statements, and have issued our report thereon dated October 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined general purpose financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined general purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combined general purpose 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.


Boston, Massachusetts
October 25, 2016



**Report on Compliance for Each Major Federal Program and Report on Internal
Control Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

To the Boards of Trustees of
Brooke Charter School Roslindale,
Brooke Charter School Mattapan,
Brooke Charter School East Boston,
The Brooke School Foundation, Inc. and Affiliates:

Report on Compliance for Each Major Federal Program

We have audited the compliance of Brooke Charter School Roslindale, Brooke Charter School Mattapan, Brooke Charter School East Boston, The Brooke School Foundation, Inc., Brooke Support Corporation, Brooke 2 LLC and Brooke 2 Master Tenant LLC (collectively, the Organization), with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major Federal program for the year ended June 30, 2016. The Organization's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major Federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major Federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to on page 48 that could have a direct and material effect on its major Federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major Federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

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

Alexander, Brown, Pinning & Co., P.C.

Boston, Massachusetts
October 25, 2016

**BROOKE CHARTER SCHOOL ROSLINDALE,
 BROOKE CHARTER SCHOOL MATTAPAN,
 BROOKE CHARTER SCHOOL EAST BOSTON,
 THE BROOKE SCHOOL FOUNDATION, INC. AND AFFILIATES**

Schedule of Findings and Questioned Costs
 June 30, 2016

1. SUMMARY OF AUDITOR'S RESULTS

Combined General Purpose Financial Statements

Type of auditor's report issued on whether the combined general purpose financial statements audited were prepared in accordance with GAAP: Unmodified

Is a "going concern" emphasis-of-matter paragraph included in the auditor's report? Yes X No

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major Federal program:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major Federal program: 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 program:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Credit Enhancement for Charter School Facilities	84.354

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

Auditee qualified as low-risk auditee? X Yes No

**BROOKE CHARTER SCHOOL ROSLINDALE,
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Schedule of Findings and Questioned Costs
June 30, 2016

2. COMBINED GENERAL PURPOSE FINANCIAL STATEMENT FINDINGS

None

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

4. COMPLIANCE FINDINGS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Finding 2015-001: MTRB Disbursements

Finding Summary: There were three months during fiscal year 2015 in which the MTRB payroll deductions were not remitted to MTRS by the 10th of the following month.

Current Status: This finding has been resolved.