



Albany Preparatory Charter School

October 28, 2008

Charter Schools Institute
State University of New York
41 State Street, Suite 700
Albany, New York 12207

Dear Chief Financial Officer:

Enclosed are the June 30, 2008, independent auditor's report on the financial statements, report on compliance, report on internal control over financial reporting and the management letter. Since the management letter did not have any comments, there was no need for a corrective action plan.

These reports are to satisfy the reporting requirements of the charter schools as outlined in the Charter School Institute's Reference Guide.

If you have any questions or require additional information, please do not hesitate to contact me.

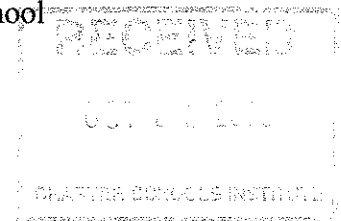
Very Respectfully,

Johnnie Nemec

Johnnie Nemec
Business Manager

Enclosures

Cc: Carol Lennon, School Director, Albany Preparatory Charter School
Public School Choice Programs (NYSED)
Office of Audit Services (NYSED)
John Tafilowski, Cusack & Co. (w/out enclosures)



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MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
AND
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

October 3, 2008

To the Board of Trustees
Albany Preparatory Charter School
50 Summit Avenue
Albany, NY 12209

We have audited the financial statements of Albany Preparatory Charter School (the School) for the years ended June 30, 2008 and 2007, and have issued our report thereon dated September 10, 2008. Professional standards encourage that we provide you with the following information related to our audits.

OUR RESPONSIBILITY UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS

As stated in our engagement letter dated July 1, 2008 our responsibility, as described by professional standards, is to plan and perform our audits to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or other illegal acts may exist and not be detected by us.

As part of our audits, we considered the internal control of the School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the year. We noted no transactions entered into by the School during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

QUALITY OF THE SCHOOL'S ACCOUNTING PRINCIPLES

Management is responsible not only for the appropriateness of the accounting policies and practices, but also for the quality of such policies and practices. The quality includes the consistency of the accounting policies and their application, the clarity and completeness of the financial statements, and includes items that have a significant impact on the representational faithfulness, verifiability, and neutrality of the accounting information in the financial statements.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the School that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We have proposed and attached to this letter the following adjustments that had a significant effect on the financial statements.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audits.

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

ISSUES DISCUSSED PRIOR TO RETENTION AS INDEPENDENT AUDITORS

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDITS

We encountered no significant difficulties in dealing with management in performing and completing our audits.

This information is intended solely for the use of the Board of Trustee's and management of Albany Preparatory Charter School and should not be used for any other purpose. We wish to thank School personnel who assisted us during the course of our audit engagements.

Very truly yours,



Cusack & Company, CPA's LLC

ALBANY PREPARATORY CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

ALBANY PREPARATORY CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees Albany Preparatory Charter School

We have audited the accompanying statements of financial position of Albany Preparatory Charter School as of June 30, 2008 and 2007 and the related statements of activities and change in net assets, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of Albany Preparatory Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Albany Preparatory Charter School as of June 30, 2008 and 2007, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2008 on our consideration of Albany Preparatory Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audits.

Cusack & Company, CPA's LLC

CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 10, 2008

ALBANY PREPARATORY CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Current Assets		
Cash	\$ 93,540	\$ 123,015
Grants Receivable	61,738	24,204
Pledges Receivable	-	65,000
Other Receivables, Net of Allowances of \$12,504 and \$0, respectively	58,341	71,576
Inventory	-	2,597
Prepaid Expenses	<u>17,095</u>	<u>19,675</u>
Total Current Assets	<u>230,714</u>	<u>306,067</u>
Property and Equipment - Net	<u>136,876</u>	<u>128,547</u>
Total Assets	<u>\$ 367,590</u>	<u>\$ 434,614</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 43,274	\$ 36,718
Accrued Payroll and Payroll Taxes	<u>45,722</u>	<u>36,588</u>
Total Current Liabilities	<u>88,996</u>	<u>73,306</u>
Long-Term Liabilities		
Compensated Absences	<u>4,410</u>	<u>8,950</u>
Total Liabilities	<u>93,406</u>	<u>82,256</u>
Net Assets		
Unrestricted	274,184	287,358
Temporarily Restricted	<u>-</u>	<u>65,000</u>
Total Net Assets	<u>274,184</u>	<u>352,358</u>
Total Liabilities and Net Assets	<u>\$ 367,590</u>	<u>\$ 434,614</u>

ALBANY PREPARATORY CHARTER SCHOOL
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other Support:			
Revenue - Student Enrollment	\$ 1,560,666	\$ -	\$ 1,560,666
Revenue - Students with Disabilities	74,833	-	74,833
State Grants	80,000	-	80,000
Federal Grants	108,322	-	108,322
Investment Income	2,950	-	2,950
Other Income	39,307	-	39,307
Net Assets Released from Restrictions	<u>65,000</u>	<u>(65,000)</u>	<u>-</u>
 Total Revenue and Other Support	 <u>1,931,078</u>	 <u>(65,000)</u>	 <u>1,866,078</u>
Expenses:			
Program Expenses:			
Regular Education	1,276,252	-	1,276,252
Special Education	<u>135,699</u>	<u>-</u>	<u>135,699</u>
Total Program Expenses	1,411,951		1,411,951
Supporting Service:			
Management and General	<u>532,301</u>	<u>-</u>	<u>532,301</u>
Total Expenses	<u>1,944,252</u>	<u>-</u>	<u>1,944,252</u>
Decrease in Net Assets	(13,174)	(65,000)	(78,174)
Net Assets, Beginning of Year	<u>287,358</u>	<u>65,000</u>	<u>352,358</u>
Net Assets, End of Year	<u>\$ 274,184</u>	<u>\$ -</u>	<u>\$ 274,184</u>

ALBANY PREPARATORY CHARTER SCHOOL
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other Support:			
Revenue - Student Enrollment	\$ 1,073,355	\$ -	\$ 1,073,355
Revenue - Students with Disabilities	74,619	-	74,619
State Grants	108,883	-	108,883
Federal Grants	31,334	-	31,334
Investment Income	3,032	-	3,032
Other Income	38,796	-	38,796
Net Assets Released from Restrictions	<u>272,692</u>	<u>(272,692)</u>	<u>-</u>
 Total Revenue and Other Support	 <u>1,602,711</u>	 <u>(272,692)</u>	 <u>1,330,019</u>
Expenses:			
Program Expenses:			
Regular Education	1,009,935	-	1,009,935
Special Education	<u>128,775</u>	<u>-</u>	<u>128,775</u>
Total Program Expenses	1,138,710	-	1,138,710
Supporting Service:			
Management and General	<u>448,912</u>	<u>-</u>	<u>448,912</u>
Total Expenses	<u>1,587,622</u>	<u>-</u>	<u>1,587,622</u>
Increase (Decrease) in Net Assets	15,089	(272,692)	(257,603)
Net Assets, Beginning of Year	<u>272,269</u>	<u>337,692</u>	<u>609,961</u>
Net Assets, End of Year	<u>\$ 287,358</u>	<u>\$ 65,000</u>	<u>\$ 352,358</u>

ALBANY PREPARATORY CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash Flows Provided by Operating Activities:		
Decrease in Net Assets	\$ (78,174)	\$ (257,603)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	36,923	25,928
Asset Abandonment	39,701	-
Changes in Operating Assets and Liabilities		
Decrease (Increase) in Assets		
Grants Receivable	(37,534)	117,282
Pledges Receivable	65,000	265,000
Other Receivables	13,235	(67,317)
Inventory	2,597	11,681
Prepaid Expense	2,580	(7,462)
(Decrease) Increase in Liabilities		
Accounts Payable	6,556	(13,493)
Accrued Payroll and Payroll Taxes	9,134	23,825
Compensated Absences	<u>(4,540)</u>	<u>8,950</u>
Net Cash Provided by Operating Activities	<u>55,478</u>	<u>106,791</u>
Cash Flows Used in Investing Activities		
Purchase of Property and Equipment	<u>(84,953)</u>	<u>(65,034)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(29,475)	41,757
Cash and Cash Equivalents, Beginning of Year	<u>123,015</u>	<u>81,258</u>
Cash and Cash Equivalents, End of Year	<u>\$ 93,540</u>	<u>\$ 123,015</u>

ALBANY PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Program Services</u>		<u>Supporting Services</u>	<u>Total</u>
	<u>Regular Education</u>	<u>Special Education</u>	<u>Management and General</u>	
Salaries	\$ 658,856	\$ 67,093	\$ 254,937	\$ 980,886
Benefits and Payroll Taxes	126,632	12,892	49,022	188,546
Contracted Services	32,584	9,068	-	41,652
Educational Materials	12,421	1,265	-	13,686
Field Trips/Activities	10,505	1,070	-	11,575
Food (Breakfast/Lunch/Snack)	28,729	2,925	-	31,654
Insurance	1,559	159	603	2,321
Legal and Professional Services	60,577	6,167	26,692	93,436
Maintenance and Repairs	4,618	470	86,161	91,249
Marketing & Recruitment	9,419	959	3,646	14,024
Minor Equipment	4,041	411	1,564	6,016
Postage and Delivery	2,350	239	910	3,499
Printing/Copying	6,439	656	2,493	9,588
Rent	109,347	11,132	42,330	162,809
Supplies & Materials	15,801	1,609	6,117	23,527
Staff Development	5,348	544	-	5,892
Student Testing	20,048	2,041	-	22,089
Telephone/Internet	8,061	821	3,121	12,003
Textbooks	14,984	1,525	-	16,509
Transportation (Student)	91,171	9,282	-	100,453
Uniforms	7,386	752	-	8,138
Utilities	13,959	1,421	5,404	20,784
Workshops & Conferences	6,619	673	-	7,292
Asset Abandonment	-	-	39,701	39,701
Depreciation	<u>24,798</u>	<u>2,525</u>	<u>9,600</u>	<u>36,923</u>
Total Expenses	<u>\$ 1,276,252</u>	<u>\$ 135,699</u>	<u>\$ 532,301</u>	<u>\$ 1,944,252</u>

ALBANY PREPARATORY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Program Services</u>		<u>Supporting Services</u>	<u>Total</u>
	<u>Regular Education</u>	<u>Special Education</u>	<u>Management and General</u>	
Salaries	\$ 504,489	\$ 58,750	\$ 249,939	\$ 813,178 ✓
Benefits and Payroll Taxes	99,803	11,622	49,454	160,879 ✓
Contracted Services	15,429	12,966	-	28,395
Educational Materials	18,213	2,121	-	20,334
Field Trips/Activities	21,696	2,526	-	24,222
Insurance	13,838	1,611	6,857	22,306 ✓
Legal and Professional Services	22,748	2,649	50,468	75,865 ✓
Maintenance and Repairs	3,000	349	5,588	8,937
Marketing & Recruitment	25,095	2,922	12,435	40,452
Minor Equipment	11,193	1,303	5,546	18,042
Postage and Delivery	5,286	616	2,619	8,521
Printing/Copying	3,183	371	1,577	5,131
Rent	81,542	9,495	40,405	131,442 ✓
Supplies & Materials	2,280	265	13,131	15,676
Staff Development	17,442	2,031	-	19,473
Student Testing	16,495	1,921	-	18,416 ✓
Telephone/Internet	5,898	687	2,923	9,508 ✓
Textbooks	15,437	1,798	-	17,235 ✓
Transportation (Student)	99,681	11,607	-	111,288 ✓
Uniforms	8,282	964	-	9,246
Workshops & Conferences	2,820	328	-	3,148
Depreciation	<u>16,085</u>	<u>1,873</u>	<u>7,970</u>	<u>25,928</u>
 Total Expenses	 <u>\$ 1,009,935</u>	 <u>\$ 128,775</u>	 <u>\$ 448,912</u>	 <u>\$ 1,587,622</u>

1. ORGANIZATION AND PURPOSE

Organization

Albany Preparatory Charter School (the "School") is a New York not-for-profit organization that works to provide Albany's middle-school students a quality alternative to the district's middle school and an education that: enables them to successfully compete for competitive high school admission; gives them necessary academic foundation to graduate high school with honors and on-track to earn the renowned International Baccalaureate degree; prepares them for a successful college career; and allows them to fully participate in our nation's democracy and the global community.

The School is exempt from Federal and State income tax under §501(c)(3) of the Internal Revenue Code and comparable New York State Law. The School is designated as a publicly supported organization which is not a private foundation under §509(a) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements of the School have been prepared on the accrual basis of accounting.

Support and Expenses

Grants and pledges received are measured at their fair values and reported as an increase in net assets. The School reports grants and pledges as restricted when a portion of their value is assigned to a long-term future use, long-term meaning in excess of one year for the purpose of these statements.

The School reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Donated Services and Goods

No amounts have been reflected in the financial statements for donated services. The School pays for services requiring specific expertise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and Grants Receivable

The School utilizes the allowance method to determine the allowance for doubtful accounts. At June 30, 2008 and 2007 management determined allowances of \$12,504 and \$0 were necessary based upon their review of the specific receivables.

Inventory

Inventory consists of student media and informational guides used in the school's recruitment process. The inventory is stated at the lower of cost (on a first-in, first-out basis) or market value and is based on a physical inventory taken by management at June 30, 2008 and 2007.

Property, Equipment and Depreciation

Property and equipment are reflected at cost, with depreciation provided on a straight-line basis over an estimated useful life of 15 years for leasehold improvements, 7 years for furniture, 5 years for equipment and 3 years for software. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Conditional and Unconditional Promises to Give

At June 30, 2008 and 2007 the School had not received any conditional promises to give. However, unconditional promises to give totaling \$0 and \$65,000 have been recorded in these financial statements at June 30, 2008 and 2007, respectively.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs benefitted. Salaries are allocated based on estimates of total time spent, while other expenses are allocated based on estimates of the resources used.

Estimates

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

3. PROPERTY AND EQUIPMENT

Property and equipment are reflected at historical cost, net of related depreciation, and are comprised of the following at June 30, 2008 and 2007, respectively.

	<u>2008</u>	<u>2007</u>
Furniture/Fixtures	\$ 45,656	\$ 32,476
Computers/Software	131,036	107,304
Leasehold Improvements	-	16,126
Equipment	<u>32,214</u>	<u>8,803</u>
Total at Cost	208,906	164,709
Less: Accumulated Depreciation	<u>(72,030)</u>	<u>(36,162)</u>
	<u>\$ 136,876</u>	<u>\$ 128,547</u>

Depreciation expense was \$36,923 and \$25,928 for the years ended June 30, 2008 and 2007, respectively.

4. LINE OF CREDIT

The School has available a line of credit from their depository institution in the amount of \$75,000 with an interest rate stated at prime plus 1% (6% at June 30, 2008 and 2007). As of June 30, 2008 and 2007 the School has not drawn on this line.

5. RENTAL OF OFFICE SPACE

The School currently leases their building from the Brighter Choice Foundation. Occupancy costs of the lease for the years ended June 30, 2008 and 2007 were \$162,809 and \$131,442, respectively. Rental expense for the year ending June 30, 2009 is estimated at \$125,000.

6. CONCENTRATION OF RISK

The School receives a majority of its funding as tuition revenue from the residing school districts of each student.

The School does occasionally maintain deposits in excess of federal insured limits. Statement of Financial Accounting Standards No. 105 identifies this as a possible concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is further managed by maintaining all deposits in high quality financial institutions.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees
Albany Preparatory Charter School
Albany, New York

We have audited the financial statements of Albany Preparatory Charter School as of and for the year ended June 30, 2008, and have issued our report thereon dated September 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Albany Preparatory Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the School, and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 10, 2008