



McGladrey & Pullen
Certified Public Accountants

Harlem Day Charter School

Financial Statements

June 30, 2008

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CHARTER SCHOOL

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

The Board of Trustees
Harlem Day Charter School
New York, New York

We have audited the accompanying statement of financial position of Harlem Day Charter School (the "School") as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the School as of and for the year ended June 30, 2007 were audited by Goldstein Golub Kessler LLP, independent accountants, certain of whose partners became partners of McGladrey & Pullen, LLP on October 3, 2007. Goldstein Golub Kessler LLP's report, dated October 30, 2007, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2008, and the changes in its net assets and its cash flows for the year 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 October 30, 2008 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McGladrey & Pullen, LLP

New York, New York
October 30, 2008

Harlem Day Charter School

Statements of Financial Position
June 30, 2008 and 2007

	2008	2007
ASSETS		
Cash and Cash Equivalents	\$ 2,691,675	\$ 2,215,495
Contributions Receivable, net	610,029	368,568
Grants Receivable	143,032	212,107
Prepaid Expenses	10,353	8,988
Investment	-	100,000
Property and Equipment, net	<u>3,945,795</u>	<u>4,205,625</u>
Total assets	<u>\$ 7,400,884</u>	<u>\$ 7,110,783</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 424,787	\$ 324,737
Deferred rent payable	<u>358,980</u>	<u>326,860</u>
Total liabilities	<u>783,767</u>	<u>651,597</u>
Contingency		
Net Assets:		
Unrestricted	6,404,117	6,118,186
Temporarily restricted	<u>213,000</u>	<u>341,000</u>
Total net assets	<u>6,617,117</u>	<u>6,459,186</u>
Total liabilities and net assets	<u>\$ 7,400,884</u>	<u>\$ 7,110,783</u>

See Notes to Financial Statements.

Harlem Day Charter School

Statements of Activities
Years Ended June 30, 2008 and 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and other support:						
State and local per pupil operating revenue	\$ 2,846,266	\$ -	\$ 2,846,266	\$ 2,582,279	\$ -	\$ 2,582,279
Government grants	257,833	-	257,833	290,902	-	290,902
Contributions	1,880,261	105,000	1,985,261	1,398,179	25,000	1,423,179
Other revenue	23,199	-	23,199	11,786	-	11,786
Interest income	75,835	-	75,835	80,168	-	80,168
Net assets released from restrictions	233,000	(233,000)	-	384,000	(384,000)	-
Total revenue and other support	5,316,394	(128,000)	5,188,394	4,747,314	(359,000)	4,388,314
Expenses:						
Program services:						
Regular Education	3,364,616	-	3,364,616	3,177,031	-	3,177,031
Special Education	266,792	-	266,792	217,271	-	217,271
Other	359,953	-	359,953	298,673	-	298,673
General and administrative	819,252	-	819,252	670,112	-	670,112
Fund-raising	187,740	-	187,740	154,424	-	154,424
Total expenses	4,998,353	-	4,998,353	4,517,511	-	4,517,511
Subtotal	318,041	(128,000)	190,041	229,803	(359,000)	(129,197)
Loss on disposal of assets	(32,110)	-	(32,110)	-	-	-
Change in net assets	285,931	(128,000)	157,931	229,803	(359,000)	(129,197)
Net assets at beginning of year	6,118,186	341,000	6,459,186	5,888,383	700,000	6,588,383
Net assets at end of year	\$ 6,404,117	\$ 213,000	\$ 6,617,117	\$ 6,118,186	\$ 341,000	\$ 6,459,186

See Notes to Financial Statements.

Harlem Day Charter School

**Statement of Functional Expenses
Year Ended June 30, 2008**

	Program Services			Total Program Services	Supporting Services		Total
	Regular Education	Special Education	Other		General and Administrative	Fund- raising	
Salaries	\$ 1,667,885	\$ 111,241	\$ 109,478	\$ 1,888,604	\$ 501,810	\$ 132,657	\$ 2,523,071
Payroll taxes and benefits	354,051	25,338	31,515	410,904	67,229	18,306	496,439
Educational providers	161,802	99,877	1,920	263,599	-	-	263,599
Classroom supplies	80,047	1,753	104,800	186,600	-	-	186,600
Children's activities	28,208	71	106	28,385	153	40	28,578
Staff development	48,160	50	500	48,710	6,127	3,450	58,287
Administrative consultants	23,224	444	644	24,312	75,615	1,186	101,113
Auditing and legal fees	-	-	-	-	48,632	-	48,632
Meetings	19,068	919	1,253	21,240	7,780	538	29,558
Office supplies	30,882	1,005	2,109	33,996	11,632	9,667	55,295
Technology	50,844	1,219	5,384	57,447	9,577	2,377	69,401
Communications	15,332	509	1,188	17,029	9,128	2,252	28,409
Occupancy	285,968	6,575	34,410	326,953	13,684	4,857	345,494
Repairs and maintenance	76,271	1,869	10,177	88,317	10,596	1,326	100,239
Equipment rental and maintenance	18,601	452	1,931	20,984	2,827	319	24,130
Security services	85,008	1,872	9,613	96,493	4,552	1,309	102,354
Insurance	26,187	596	3,016	29,799	8,923	443	39,165
Depreciation and amortization	387,514	12,973	41,433	441,920	27,845	8,389	478,154
Other expenses	5,564	29	476	6,069	13,142	624	19,835
	<u>\$ 3,364,616</u>	<u>\$ 266,792</u>	<u>\$ 359,953</u>	<u>\$ 3,991,361</u>	<u>\$ 819,252</u>	<u>\$ 187,740</u>	<u>\$ 4,998,353</u>

See Notes to Financial Statements.

Harlem Day Charter School

Statement of Functional Expenses
Year Ended June 30, 2007

	Program Services			Total Program Services	Supporting Services		Total
	Regular Education	Special Education	Other		General and Administrative	Fund- raising	
Salaries	\$ 1,565,026	\$ 125,969	\$ 58,796	\$ 1,749,791	\$ 408,437	\$ 94,095	\$ 2,252,323
Payroll taxes and benefits	335,633	25,365	15,882	376,880	55,839	14,330	447,049
Educational providers	43,681	46,531	-	90,212	-	-	90,212
Classroom supplies	129,661	188	114,843	244,692	-	-	244,692
Children's activities	25,636	29	-	25,665	170	-	25,835
Staff development	52,395	793	167	53,355	2,673	1,091	57,119
Administrative consultants	10,704	413	374	11,491	76,560	6,061	94,112
Auditing and legal fees	-	-	-	-	21,299	-	21,299
Meetings	10,154	480	474	11,108	11,092	387	22,587
Office supplies	31,373	1,819	2,456	35,648	19,122	19,640	74,410
Technology	53,167	2,021	4,310	59,498	9,152	4,187	72,837
Communications	19,299	873	1,194	21,366	6,071	4,532	31,969
Occupancy	272,413	4,116	33,104	309,633	7,450	2,546	319,629
Repairs and maintenance	84,963	1,442	8,896	95,301	13,387	956	109,644
Equipment rental and maintenance	21,504	584	1,310	23,398	3,850	1,275	28,523
Security services	61,563	811	7,138	69,512	3,251	589	73,352
Insurance	34,216	126	1,109	35,451	6,734	697	42,882
Depreciation and amortization	413,576	5,431	47,798	466,805	10,587	3,618	481,010
Other expenses	12,067	280	822	13,169	14,438	420	28,027
	<u>\$ 3,177,031</u>	<u>\$ 217,271</u>	<u>\$ 298,673</u>	<u>\$ 3,692,975</u>	<u>\$ 670,112</u>	<u>\$ 154,424</u>	<u>\$ 4,517,511</u>

See Notes to Financial Statements.

Harlem Day Charter School

Statements of Cash Flows
 Years Ended June 30, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities:		
Change in net assets	\$ 157,931	\$ (129,197)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	478,154	481,010
Donated stock	(101,936)	
Loss on disposal of assets	32,110	-
Changes in operating assets and liabilities:		
(Increase) decrease in contributions receivable, net	(241,461)	286,395
Decrease in grants receivable	69,075	294,423
(Increase) decrease in prepaid expenses	(1,365)	12,525
Increase (decrease) in accounts payable and accrued expenses	100,050	(84,540)
Increase in deferred rent payable	32,120	15,104
Net cash provided by operating activities	524,678	875,720
Cash Flows From Investing Activities:		
Purchase of investments		(100,000)
Proceeds from investments	201,936	
Fixed asset acquisitions	(250,434)	(495,974)
Net cash used in investing activities	(48,498)	(595,974)
Net increase in cash and cash equivalents	476,180	279,746
Cash and Cash Equivalents:		
Beginning	2,215,495	1,935,749
Ending	\$ 2,691,675	\$ 2,215,495

See Notes to Financial Statements.

Harlem Day Charter School

Notes to Financial Statements

Note 1. Principal Business Activity and Summary of Significant Accounting Policies

Harlem Day Charter School (the "School"), located in Harlem, New York, is a not-for-profit educational corporation chartered by the Regents of the University of the State of New York. The School was granted a provisional charter of incorporation, effective May 14, 2001, and formally commenced operations on September 5, 2001. During 2006, the Regents extended the charter through July 31, 2011. The School offers parents a free alternative to the public school system as provided by the New York State Charter School law. Students are selected using a lottery system. The School offers classroom instruction and programs that encourage and foster creativity and team planning while meeting the New York State educational standards.

The School is classified as a 501(c)(3) organization and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code. Accordingly, no provision for income tax has been reflected in the accompanying financial statements.

The New York City Department of Education provides transportation directly to a majority of the School's students. Such costs are not included in these financial statements.

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

The financial statements of the School reflect contributions received from the public and other organizations. Contributions, including unconditional promises to give, are recognized as revenue in the period documented or received.

The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value.

The School reports amounts received with donor stipulations that limit the use of the assets for a certain purpose as unrestricted support if the stipulated purpose restriction is accomplished in the same year.

Revenue from state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and state grant funds are recorded by the School when expenditures are incurred and billable.

The School maintains its cash in money market and bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts.

A number of volunteers have made a contribution of their time to the School to develop its academic program and to serve on the board of trustees. However, these services have not been recognized, inasmuch as such services either do not require specialized skills or would not typically be purchased had they not been provided by donation. The value of these services is not readily determinable.

Harlem Day Charter School

Notes to Financial Statements

Note 1. Principal Business Activity and Summary of Significant Accounting Policies (continued)

Property and equipment is recorded at cost. Additions and improvements or betterments in excess of \$500 with an estimated useful life of more than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the life of the lease or the assets.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates by management. Actual results could differ from these estimates.

Certain prior-year balances have been reclassified to be consistent with the current-year financial statement presentation. The reclassifications had no impact on changes in net assets.

In February 2007, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective of SFAS No. 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is effective for fiscal years beginning after November 15, 2007. The School is currently assessing the potential effect of SFAS No. 159 on its financial position, results of operations and cash flows. The adoption of SFAS No. 159 is not expected to have a material impact on the School's financial position, results of operations or cash flows.

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109* ("FIN 48"), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. If there are changes in net assets as a result of application of FIN 48 these will be accounted for as an adjustment to the opening balance of net assets. Additional disclosures about the amounts of such liabilities will also be required. In February 2008, the FASB delayed the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2007. In October 2008, the FASB announced that it will be proposing to delay the effective date for an additional year for certain nonpublic enterprises. If this proposal is adopted, as expected, the School will be required to adopt FIN 48 in its 2010 annual financial statements.

Harlem Day Charter School

Notes to Financial Statements

Note 2. Agreement for School Facility

The School has entered into two noncancelable operating leases for office and instructional space, one expiring in 2011 with an option to extend to 2021 and the other expiring in 2021.

Future minimum lease payments under these leases are as follow:

Year ending June 30,

2009	\$ 357,000
2010	361,000
2011	381,000
2012	205,000
2013	205,000
Thereafter	1,858,000
	<u>\$ 3,367,000</u>

Rent expenses associated with the above leases were \$345,494 and \$319,629 for the years ended June 30, 2008 and 2007, respectively. The deferred rent payable in the accompanying statement of financial position stems from the straight-line rent versus the lease rent payments over the lease term.

Note 3. Property and Equipment, Net

Property and equipment, net, at cost, consists of:

	2008	2007	Estimated Useful Life
Furniture and fixtures	\$ 157,676	\$ 205,307	5 years
Computer and software	462,304	540,363	3 years
Leasehold improvements	5,877,647	5,683,669	15 years
Library books	-	71,676	3 years
Construction-in-progress	-	14,771	
	<u>6,497,627</u>	<u>6,515,786</u>	
Less accumulated depreciation and amortization	<u>(2,551,832)</u>	<u>(2,310,161)</u>	
	<u>\$ 3,945,795</u>	<u>\$ 4,205,625</u>	

Depreciation and amortization of property and equipment amounted to \$478,154 and \$481,010 for the fiscal years ended June 30, 2008 and 2007, respectively. During the fiscal year 2008, the School wrote off fully depreciated Library books amounting to \$71,676. In addition, during fiscal year 2008, the School also disposed of certain furniture and fixtures and computer and software amounting to \$196,917 which resulted in a \$32,110 loss on disposal of assets.

Harlem Day Charter School

Notes to Financial Statements

Note 4. Contributions Receivable, Net

Contributions that are expected to be collected in future years are recorded at their net present value, using a risk-free rate of return (5.16% for the years ended June 30, 2008 and 2007, respectively). Contributions receivable are due as follows:

	<u>2008</u>	<u>2007</u>
In less than one year	\$ 570,600	\$ 299,882
In one to five years	<u>50,000</u>	<u>108,000</u>
	620,600	407,882
Less unamortized discount on contributions receivable	<u>10,571</u>	<u>39,314</u>
	<u>\$ 610,029</u>	<u>\$ 368,568</u>

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose or periods:

	<u>2008</u>	<u>2007</u>
Time restricted for future periods	\$ 183,000	\$ 341,000
Social workers	<u>30,000</u>	<u>-</u>
	<u>\$ 213,000</u>	<u>\$ 341,000</u>

Note 6. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

Note 7. Investment

Investment consists of a Preferred Auction security at \$100,000 stated at fair value as of June 30, 2007.

McGladrey & Pullen

Certified Public Accountants

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

The Board of Trustees
Harlem Day Charter School
New York, New York

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

Internal Control Over Financial Reporting - In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

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.

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 - As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract 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*.

We noted certain matters that we reported to management of the School in a separate letter dated October 30, 2008.

This report is intended solely for the information and use of the finance committee, board of trustees, management, the New York State Education Department and the Board of Regents of the University of the State of New York and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

New York, New York
October 30, 2008

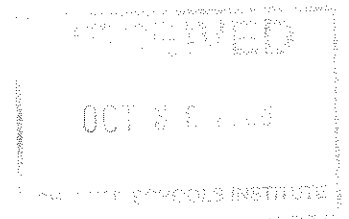


McGladrey & Pullen
Certified Public Accountants

Harlem Day Charter School

Management Letter

June 30, 2008



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EXHIBIT II - Corrective Actions Taken on Prior-Year Observations

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- B. Maintenance of Fixed Asset Register 2



McGladrey & Pullen

Certified Public Accountants

To Management and the Finance Committee of the Board of Trustees
Harlem Day Charter School
240 East 123rd Street
New York, NY 10035

Dear Client:

In planning and performing our audit of the financial statements of Harlem Day Charter School (the "School") as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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 deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

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

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

The observation in Exhibit I of the attachment to this letter is identified as a control deficiency that we determined did not constitute a significant deficiency or material weakness.

The School's written responses to the observations have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the finance committee, the board of trustees and management, and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss these comments with you at greater length and assist you in the implementation of any of our recommendations should you so desire.

McGladrey & Pullen, LLP

New York, New York
October 30, 2008

EXHIBIT I – CURRENT-YEAR OBSERVATION

A. Documents Maintained in Student Folders

Observation

In order for a child to qualify to attend the School, the child is required to live in New York City. The School should maintain adequate student records. In our review of 23 student files, we noted that the School was missing: (a) proof of residence for 4 students; and (b) application/registration forms for 6 students.

Recommendation

We recommend that the School continue its efforts to ensure that adequate documentation, such as proof of residence that the student lives in New York City, and application/registration forms are maintained in the student folders for reference purposes.

Management's Response

Obtaining documentation from some parents after a child is already enrolled often requires frequent, time consuming follow-up. The missing proof of residence were for 4 students who had graduated or transferred to another school; at which point, there was no incentive for the parents to provide the School with the requested documentation.

The School now has proof of residence for all children enrolled for the 2008-2009 school year. Furthermore, with the approval of the Charter School Institute, the School will require proof of residence as part of the application process and as a requirement to enter the lottery for the 2009-2010 school year and going forward.

The missing application/registration forms for the 6 students are for students who were enrolled in the School in the 2005-2006 school year and prior. These records once lost cannot be replicated. The School has significantly improved the procedures and controls for the admissions process in 2006-2007 and has all necessary records for that year and going forward.

EXHIBIT II - CORRECTIVE ACTIONS TAKEN ON PRIOR-YEAR OBSERVATIONS

A. Proof of Residence

Observation

In order for a child to qualify to attend the School, the child is required to live in New York City. However, the School did not maintain any proof of residence on file for 12 out of the 15 student files selected for review.

Recommendation

We recommend that the School maintain proof of residence on file (such as a copy of a utility bill) as evidence that the student lives in New York City.

Corrective Action Taken

During the fiscal 2008 audit, we noted that the School had initiated efforts to ensure that adequate student records are maintained. However, we noted that certain student folders were still missing proof of residence (see Exhibit I).

B. Maintenance of Fixed Asset Register

Observation

We noted during our audit that the School did not have a detailed listing of its fixed assets.

Recommendation

We recommend that the following be implemented:

1. A detailed fixed asset register by asset type should be created and reconciled to the general ledger periodically. This register should account for all additions and deletions of fixed assets, estimated useful life, salvage value, method of depreciation and related depreciation expense and accumulated depreciation.
2. A physical inventory of fixed assets should be performed periodically.

Corrective Action Taken

During fiscal 2008, the School purchased fixed asset software. The School went through a process of inventorying all their assets, tagging them, entering them into the software and ultimately reconciling the resulting fixed asset records with the general ledger.