

**GIRLS PREPARATORY CHARTER SCHOOL
OF NEW YORK**

NEW YORK, NEW YORK

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2009
(With Comparative Totals for 2008)

CONTENTS

<u>AUDITED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditors' Report	3
Consolidated Statement of Financial Position	5
Consolidated Statement of Activities and Changes in Net Assets	6
Consolidated Statement of Functional Expenses	7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	9
 <u>OTHER CONSOLIDATING FINANCIAL INFORMATION</u>	
Independent Auditors' Report on Consolidating Financial Information	14
Consolidating Statement of Financial Position	15
Consolidating Statement of Activities and Changes in Net Assets	16
 <u>REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17

100 Chestnut Street
Suite 1200
Rochester, NY 14604
Phone 585 / 423-1860
Fax 585 / 423-5966
www.mengelmetzgerbarr.com



An Independent Member of the BDO Seidman Alliance

Additional Offices / Elmira, New York / Hornell, New York / Ithaca, New York

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Girls Preparatory Charter School of New York

We have audited the accompanying consolidated statement of financial position of Girls Preparatory Charter School of New York (the "Organization") as of June 30, 2009, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the consolidated financial statements of Girls Preparatory Charter School of New York as of and for the year ended June 30, 2008 which were audited by other auditors, whose report dated October 28, 2008, expressed an unqualified opinion on those consolidated 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 consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Girls Preparatory Charter School of New York as of June 30, 2009, 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 September 30, 2009 on our consideration of Girls Preparatory Charter School of New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
September 30, 2009

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009

(With Comparative Totals for 2008)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 636,527	\$ 705,253
Grants and other receivables	74,397	121,765
Prepaid expenses and other current assets	27,407	10,872
Related party receivables	70,174	-
TOTAL CURRENT ASSETS	<u>808,505</u>	<u>837,890</u>
<u>PROPERTY AND EQUIPMENT, net</u>	<u>151,067</u>	<u>107,021</u>
TOTAL ASSETS	<u>\$ 959,572</u>	<u>\$ 944,911</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 73,108	\$ 38,974
Accrued payroll and benefits	290,278	241,384
Deferred revenue	-	5,623
TOTAL CURRENT LIABILITIES	<u>363,386</u>	<u>285,981</u>
 <u>NET ASSETS</u>		
Unrestricted	596,186	567,430
Temporarily restricted	-	91,500
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 959,572</u>	<u>\$ 944,911</u>

The accompanying notes are an integral part of the consolidated financial statements.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2009
(With Comparative Totals for 2008)

	Year ended June 30,			2008
	2009		Total	
	Unrestricted	Temporarily restricted		
Operating revenue and support:				
State and local per pupil operating revenue	\$ 2,782,021	\$ -	\$ 2,782,021	\$ 1,996,394
Federal grants	141,997	-	141,997	250,280
State and local grants	44,064	-	44,064	102,796
Other revenue	-	-	-	34,536
Foundations	199,575	-	199,575	423,000
Individuals and corporations	137,213	-	137,213	286,514
Interest income	9,137	-	9,137	20,444
Net assets released from restrictions	91,500	(91,500)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	3,405,507	(91,500)	3,314,007	3,113,964
Expenses:				
Program:				
Regular education	2,363,260	-	2,363,260	2,131,610
Special education	244,597	-	244,597	165,704
General and administrative	697,971	-	697,971	357,291
Fundraising	70,923	-	70,923	81,225
TOTAL EXPENSES	3,376,751	-	3,376,751	2,735,830
CHANGE IN NET ASSETS	28,756	(91,500)	(62,744)	378,134
Net assets at beginning of year	567,430	91,500	658,930	280,796
NET ASSETS AT END OF YEAR	\$ 596,186	\$ -	\$ 596,186	\$ 658,930

The accompanying notes are an integral part of the consolidated financial statements.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2009
(With Comparative Totals for 2008)

	Year ended June 30,							2008
	2009			2009				
	Program Services			Supporting Services				
Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Total	Total	
Salaries	\$ 1,403,355	\$ 130,562	\$ 1,533,917	\$ 387,189	\$ 47,199	\$ 434,388	\$ 1,968,305	\$ 1,741,158
Employee benefits and payroll taxes	425,111	42,511	467,622	99,751	8,996	108,747	576,369	372,503
Educational consultants	134,099	59,618	193,717	22,723	-	22,723	216,440	199,698
Other consultants	32,861	-	32,861	74,132	3,338	77,470	110,331	56,806
Recruitment and marketing	50,733	2,896	53,629	23,007	-	23,007	76,636	45,487
Professional fees	149	-	149	39,643	-	39,643	39,792	21,014
Library books	19,433	1,109	20,542	-	-	-	20,542	16,091
Textbooks	45,360	2,589	47,949	-	-	-	47,949	45,533
Classroom supplies	54,808	3,129	57,937	-	-	-	57,937	41,249
Postage and office supplies	19,443	-	19,443	5,726	-	5,726	25,169	10,842
Communication	5,438	-	5,438	6,854	-	6,854	12,292	7,965
Insurance	22,684	-	22,684	5,671	-	5,671	28,355	29,761
Equipment rental	9,167	-	9,167	2,292	-	2,292	11,459	4,428
Travel	4,240	-	4,240	5,065	-	5,065	9,305	3,533
Food	20,184	-	20,184	-	-	-	20,184	26,365
Other fundraising expenses	-	-	-	-	11,390	11,390	11,390	19,537
Non-capitalized equipment	12,891	-	12,891	7,211	-	7,211	20,102	13,758
Moving expense	6,862	-	6,862	1,716	-	1,716	8,578	-
Depreciation	53,584	-	53,584	15,031	-	15,031	68,615	61,201
After school	38,247	2,183	40,430	-	-	-	40,430	12,799
Other	4,611	-	4,611	1,960	-	1,960	6,571	6,102
	<u>\$ 2,363,260</u>	<u>\$ 244,597</u>	<u>\$ 2,607,857</u>	<u>\$ 697,971</u>	<u>\$ 70,923</u>	<u>\$ 768,894</u>	<u>\$ 3,376,751</u>	<u>\$ 2,735,830</u>

The accompanying notes are an integral part of the consolidated financial statements.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2009
(With Comparative Totals for 2008)

	<u>Year ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (62,744)	\$ 378,134
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Donated stock	-	(76,990)
Depreciation	68,615	61,201
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	47,368	(63,847)
Prepaid expenses and other current assets	(16,535)	(926)
Accounts payable and accrued expenses	34,134	24,423
Accrued payroll and benefits	48,894	122,303
Deferred revenue	(5,623)	(60,127)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	114,109	384,171
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(112,661)	(67,799)
Sales of investment securities	-	76,990
NET CASH (USED FOR) PROVIDED FROM INVESTING ACTIVITIES	(112,661)	9,191
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Increase in related party receivables	(70,174)	-
NET CASH USED FOR FINANCING ACTIVITIES	(70,174)	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(68,726)	393,362
Cash and cash equivalents at beginning of year	705,253	311,891
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 636,527	\$ 705,253

The accompanying notes are an integral part of the consolidated financial statements.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

The accompanying consolidated financial statements include the accounts of Girls Preparatory Charter School of New York (the "School") and Friends of Girls Preparatory Charter School of New York, Inc. ("Friends"), (collectively referred to as the "Organization"). The Organizations are presenting consolidated financial statements because they have a common Board of Trustees and economic interest. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

The Organization

The School is an educational corporation that operates as a charter school in the borough of Manhattan, New York. On March 23, 2004, the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration. During the current year, the School obtained a temporary renewal through July 31, 2010 and has applied for a permanent renewal. The School was established to prepare underserved elementary school students for higher education, civic involvement and lifelong success through a structured, caring environment of high academic expectations.

Friends was organized under the laws of the State of New York on September 30, 2003 as a not-for-profit corporation under subparagraph (a)(5) of Section 102 of the Not-For-Profit Corporation Law. Friends was established to create a plan for a charter school in New York City, drafting and revising an application for such a charter, fund-raising, searching for and developing a site, and hiring administrative and teaching personnel.

Financial Statement presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets at June 30, 2009 or 2008.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets at June 30, 2008 were restricted for use in the School's tutoring program and for use in future periods. There were no temporarily restricted net assets at June 30, 2009.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2009 AND 2008

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Organization's operations in accordance with the guidelines established by the Organization. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

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.

Revenue from federal, state and local government grants and contracts are recorded by the School when qualifying expenditures are incurred and billable.

Contributions are recognized as revenue in the year the pledge is received and documented.

Contributions

Contributions and unconditional promises to give are recorded as unrestricted, temporarily, or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash and cash equivalents

The Organization considers all financial instruments purchased with an original maturity date of three months or less to be cash equivalents. At June 30, 2009, the Organization's cash equivalents consisted of money market accounts. The Organization maintains its cash balances in certain financial institutions located in New York, New York. Effective October 3, 2008 through December 31, 2009, certain accounts at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition, as of October 14, 2008, in accordance with the Federal Deposit Insurance Corporation's Temporary Liquidity Program, certain non-interest bearing transaction accounts at participating financial institutions are 100% insured through December 31, 2009. There were no uninsured balances at June 30, 2009. The Organization has not experienced any losses in the above cited accounts and believes it is not exposed to any significant credit risk on the uninsured balances.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2009 or 2008.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2009 AND 2008

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to five years.

Tax exempt status

The School and Friends are tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, are exempt from federal and state taxes on income.

Contributed services

The Organization receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the consolidated financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed.

Marketing costs

The Organization expenses marketing costs as they are incurred. Total recruiting and marketing costs approximated \$76,700 and \$45,500 for the years ended June 30, 2009 and 2008, respectively.

Use of estimates in the preparation of consolidated financial statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the balance sheet date through September 30, 2009, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

Comparatives for year ended June 30, 2008

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Reclassifications

Certain 2008 amounts have been reclassified to conform with the 2009 presentation.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2009 AND 2008

NOTE B: RELATED PARTY TRANSACTIONS

The Organization has related party receivables from two related organizations, Girls Preparatory Charter School in Bronx, New York and Public Prep. Public Prep manages the operations of the Organization. Girls Preparatory Charter School Bronx has common Board members on its Board of Trustees. The receivables relate to start-up costs of these organizations that were paid by the Organization. At June 30, 2009, \$70,174 was due from these related parties. There were no receivables from related parties at June 30, 2008. All amounts are expected to be repaid as cash flow permits.

NOTE C: SCHOOL FACILITY

As part of the New York City Chancellor's Charter School Initiative, the New York City Department of Education has committed space to the Organization at no charge. The facilities and services provided by the New York City Department of Education to the Organization are outlined in a Shared Facility Use Agreement. The agreement is for five years or until termination of the School's charter.

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$ 76,332	\$ 48,135
Equipment	136,293	122,999
Computer equipment	142,549	71,379
Web development	<u>5,250</u>	<u>5,250</u>
	360,424	247,763
Less accumulated depreciation and amortization	<u>209,357</u>	<u>140,742</u>
	<u>\$ 151,067</u>	<u>\$ 107,021</u>

NOTE E: LINE OF CREDIT

The School had a \$150,000 line of credit which expired in January 2009. Management is currently in the process of renewing the line of credit. Interest was charged at the prime rate (3.25% at June 30, 2009). As of June 30, 2009 and 2008, there were no balances outstanding.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2009 AND 2008

NOTE F: OPERATING LEASE

The School leases office equipment under a non-cancelable lease agreement expiring in August 2013. The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2010	\$ 8,150
2011	6,275
2012	6,275
2013	<u>1,569</u>
	<u>\$ 22,269</u>

NOTE G: RETIREMENT PLAN

The School sponsors a defined contribution 403(b) plan covering all regular employees. The School matches employees' contributions up to 5% of base salary. The School's total contribution to the Plan for the years ended June 30, 2009 and 2008 approximated \$100,000 and \$64,000, respectively.

NOTE H: CONTINGENCY

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

NOTE I: CONCENTRATION

At June 30, 2009, approximately 62% of grants and other receivables are due from the New York State Department of Education relating to certain grants.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

OTHER CONSOLIDATING FINANCIAL INFORMATION

100 Chestnut Street
Suite 1200
Rochester, NY 14604
Phone 585 / 423-1860
Fax 585 / 423-5966
www.mengelmetzgerbarr.com



An Independent Member of the BDO Seidman Alliance

Additional Offices / Elmira, New York / Hornell, New York / Ithaca, New York

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING FINANCIAL INFORMATION

Board of Trustees
Girls Preparatory Charter School of New York

Our report on our audit of the consolidated financial statements of Girls Preparatory Charter School of New York as of June 30, 2009 and for the year then ended appears on page 3. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating financial information hereinafter is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
September 30, 2009

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009

<u>ASSETS</u>	<u>Girls Preparatory Charter School of New York</u>	<u>Friends of Girls Preparatory Charter School of New York, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
<u>CURRENT ASSETS</u>				
Cash and cash equivalents	\$ 508,050	\$ 128,477	\$ -	\$ 636,527
Grants and other receivables	59,397	15,000	-	74,397
Prepaid expenses and other current assets	27,407	-	-	27,407
Related party receivables	<u>113,595</u>	<u>8,000</u>	<u>(51,421)</u>	<u>70,174</u>
TOTAL CURRENT ASSETS	708,449	151,477	(51,421)	808,505
<u>PROPERTY AND EQUIPMENT, net</u>	<u>148,507</u>	<u>2,560</u>	<u>-</u>	<u>151,067</u>
TOTAL ASSETS	<u>\$ 856,956</u>	<u>\$ 154,037</u>	<u>\$ (51,421)</u>	<u>\$ 959,572</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 72,769	\$ 339	\$ -	\$ 73,108
Accrued payroll and benefits	290,278	-	-	290,278
Related party payable	<u>-</u>	<u>51,421</u>	<u>(51,421)</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	363,047	51,760	(51,421)	363,386
<u>NET ASSETS</u>				
Unrestricted	<u>493,909</u>	<u>102,277</u>	<u>-</u>	<u>596,186</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 856,956</u>	<u>\$ 154,037</u>	<u>\$ (51,421)</u>	<u>\$ 959,572</u>

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

100 Chestnut Street
Suite 1200
Rochester, NY 14604
Phone 585 / 423-1860
Fax 585 / 423-5966
www.mengelmetzgerbarr.com



An Independent Member of the BDO Seidman Alliance

Additional Offices / Elmira, New York / Hornell, New York / Ithaca, New York

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

Board of Trustees
Girls Preparatory Charter School of New York

We have audited the consolidated financial statements of Girls Preparatory Charter School of New York as of and for the year ended June 30, 2009 and have issued our report thereon dated September 30, 2009. 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 Girls Preparatory Charter School of New York's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 Organization's consolidated financial statements that is more than inconsequential will not be prevented or detected by the Organization'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 consolidated financial statements will not be prevented or detected by the Organization'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 Girls Preparatory Charter School of New York's consolidated 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*.

We noted certain matters that we reported to management of Girls Preparatory Charter School of New York in a separate letter dated September 30, 2009.

This report is intended solely for the information and use of the Board of Trustees, management, federal, state and local awarding agencies, the Department of Education of the City of New York, the State Education Department of the State University of New York, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
September 30, 2009

