

ACADEMIC LEADERSHIP CHARTER SCHOOL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

ACADEMIC LEADERSHIP CHARTER SCHOOL

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YEAR ENDED JUNE 30, 2017**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Academic Leadership Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Academic Leadership Charter School, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in unrestricted net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statement 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 financial statement that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statement based on our audit. 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 statement are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statement 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 financial statement.

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 financial statements referred to above present fairly, in all material respects, the financial position of Academic Leadership Charter School as of June 30, 2017, and the changes in its unrestricted net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Academic Leadership Charter School, as of and for the year ended June 30, 2016 were audited by other auditors whose report dated October 19, 2016 expressed an unmodified opinion on those statements. The summarized comparative information presented herein, as of and for the year ended June 30, 2016, was derived from those audited financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017 on our consideration of Academic Leadership Charter School's internal control over financial reporting and on 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* in considering Academic Leadership Charter School's internal control over financial reporting and compliance.

Berdon LLP
Certified Public Accountants

New York, New York
October 31, 2017

ACADEMIC LEADERSHIP CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2017
 (WITH COMPARATIVE TOTALS FOR 2016)

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 14,892,602	\$ 10,613,189
Grants receivables	491,566	387,158
Prepaid expenses	<u>33,376</u>	<u>32,604</u>
TOTAL CURRENT ASSETS	15,417,544	11,032,951
PROPERTY AND EQUIPMENT - NET	3,661,845	3,622,393
OTHER ASSETS:		
Restricted cash	75,488	75,370
Security deposits	<u>18,727</u>	<u>18,727</u>
TOTAL ASSETS	<u>\$ 19,173,604</u>	<u>\$ 14,749,441</u>
LIABILITIES AND UNRESTRICTED NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 223,064	\$ 192,712
Accrued salaries and other payroll-related expenses	359,708	298,960
Refundable advances	<u>-</u>	<u>54,585</u>
TOTAL CURRENT LIABILITIES	<u>582,772</u>	<u>546,257</u>
COMMITMENT AND CONTINGENCY		
NET ASSETS - UNRESTRICTED:		
Undesignated	18,515,344	14,127,814
Reserve - contingency	<u>75,488</u>	<u>75,370</u>
TOTAL NET ASSETS - UNRESTRICTED	<u>18,590,832</u>	<u>14,203,184</u>
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	<u>\$ 19,173,604</u>	<u>\$ 14,749,441</u>

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

ACADEMIC LEADERSHIP CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2017
 (WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	<u>2017</u>	<u>2016</u> (SUMMARIZED)
OPERATING REVENUE AND OTHER SUPPORT:		
State and local per pupil operating revenue:		
General education	\$ 7,759,796	\$ 7,186,301
Special education	454,179	434,747
Facility lease assistance	<u>-</u>	<u>394,318</u>
Total state and local per pupil operating revenue	<u>8,213,975</u>	<u>8,015,366</u>
Grants, contracts and other support:		
Federal grants	388,852	311,526
State and local grants	39,484	40,314
Interest and other income	<u>92,056</u>	<u>11,153</u>
Total grants, contracts and other support	<u>520,392</u>	<u>362,993</u>
TOTAL OPERATING REVENUE AND OTHER SUPPORT	<u>8,734,367</u>	<u>8,378,359</u>
EXPENSES:		
Program expenses:		
Regular education	3,361,256	3,378,095
Special education	<u>557,260</u>	<u>547,972</u>
Total program expenses	<u>3,918,516</u>	<u>3,926,067</u>
Supporting services:		
Management and general	<u>428,203</u>	<u>481,596</u>
Total supporting services	<u>428,203</u>	<u>481,596</u>
TOTAL EXPENSES	<u>4,346,719</u>	<u>4,407,663</u>
INCREASE IN UNRESTRICTED NET ASSETS	4,387,648	3,970,696
NET ASSETS - UNRESTRICTED - BEGINNING OF YEAR	<u>14,203,184</u>	<u>10,232,488</u>
NET ASSETS - UNRESTRICTED - END OF YEAR	<u>\$ 18,590,832</u>	<u>\$ 14,203,184</u>

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

ACADEMIC LEADERSHIP CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	<u>REGULAR EDUCATION</u>	<u>SPECIAL EDUCATION</u>	<u>TOTAL PROGRAMS</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL - 2017</u>	<u>TOTAL - 2016 (SUMMARIZED)</u>
PERSONNEL EXPENSES:						
Instructional personnel	\$ 2,219,640	\$ 412,875	\$ 2,632,515	\$ 43,181	\$ 2,675,696	\$ 2,527,812
Administrative staff personnel	-	-	-	205,784	205,784	235,477
TOTAL PERSONNEL EXPENSES	<u>2,219,640</u>	<u>412,875</u>	<u>2,632,515</u>	<u>248,965</u>	<u>2,881,480</u>	<u>2,763,289</u>
OPERATING EXPENSES:						
Payroll taxes and fringe benefits	522,018	97,101	619,119	58,552	677,671	646,726
Professional and consulting	-	-	-	75,649	75,649	75,124
Staff development	10,480	609	11,089	-	11,089	16,779
Textbooks and curriculum	265,850	15,443	281,293	-	281,293	281,276
Student food service	6,853	979	7,832	-	7,832	3,262
Communication and technology	28,389	2,679	31,068	3,723	34,791	35,957
Equipment rental and lease	48,556	4,582	53,138	6,367	59,505	55,101
Student and staff recruiting	33,472	3,159	36,631	4,389	41,020	42,484
Travel	812	77	889	106	995	9,098
Supplies and materials	52,803	4,983	57,786	6,924	64,710	51,350
Repairs and maintenance	20,020	1,889	21,909	2,625	24,534	17,156
Administrative	47,768	3,014	50,782	7,188	57,970	50,408
Nonecapitalized furniture and fixtures	4,215	398	4,613	553	5,166	5,380
Licenses and permits	-	-	-	-	-	112
Insurance	32,292	3,047	35,339	4,234	39,573	26,379
Facility	15,675	1,479	17,154	2,055	19,209	256,444
Depreciation	52,413	4,946	57,359	6,873	64,232	71,338
TOTAL OPERATING EXPENSES	<u>1,141,616</u>	<u>144,385</u>	<u>1,286,001</u>	<u>179,238</u>	<u>1,465,239</u>	<u>1,644,374</u>
TOTAL EXPENSES	<u>\$ 3,361,256</u>	<u>\$ 557,260</u>	<u>\$ 3,918,516</u>	<u>\$ 428,203</u>	<u>\$ 4,346,719</u>	<u>\$ 4,407,663</u>

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

ACADEMIC LEADERSHIP CHARTER SCHOOL

STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2017
 (WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	<u>2017</u>	<u>2016</u> (SUMMARIZED)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in unrestricted net assets	\$ 4,387,648	\$ 3,970,696
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	64,232	71,338
Changes in operating assets and liabilities:		
(Increases) in:		
Grants receivable	(87,879)	(28,835)
Refundable advances	(16,529)	-
Prepaid expenses	(772)	(32,604)
Increases (decreases) in:		
Accounts salaries and other payroll-related expenses	30,352	(8,916)
Accrued payroll and benefits	60,748	21,630
Deferred liabilities	<u>(54,585)</u>	<u>54,585</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,383,215</u>	<u>4,047,894</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted cash	(118)	(48)
Acquisition of property and equipment	<u>(103,684)</u>	<u>(3,576,054)</u>
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(103,802)</u>	<u>(3,576,102)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,279,413	471,792
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>10,613,189</u>	<u>10,141,397</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 14,892,602</u>	<u>\$ 10,613,189</u>

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

ACADEMIC LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Academic Leadership Charter School (the "School"), a 501(c)(3) tax-exempt organization, is a public charter school located in the Bronx, New York. The School was granted a provisional charter on February 10, 2009 which was renewed on February 11, 2014 for an additional five years. The School served from Pre-K through seventh grade through 2015 and added eighth grade in 2016. The School provides a broad-based education for all students, focusing on developing good character as well as comprehension and analytical skills across all disciplines, ranging from the fundamentals of reading and mathematics to fine arts, physical education, drama, and dance.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require 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 financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(b) Reclassifications

Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation. The reclassifications have no effect on 2016 net assets and changes in unrestricted net assets.

(c) Net Asset Presentation

The classification of the School's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities and changes in unrestricted net assets.

These classes are defined as follows:

- Permanently restricted - Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School. The School has no permanently restricted net assets at June 30, 2017.

(continued)

ACADEMIC LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Temporarily restricted - Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in unrestricted net assets. The School has no temporarily restricted net assets at June 30, 2017.
- Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(d) Cash and Cash Equivalents

The School considers all short-term, highly liquid investments, such as money market funds, to be cash equivalents.

(e) Grants Receivable

Grants receivable are recorded at net realizable value and do not bear interest. The allowance for doubtful accounts is the School's best estimate of the amount of probable credit losses in existing receivables. Management determines the allowance based on historical write-off experience and reviews its allowance for doubtful accounts periodically. Past due balances are reviewed individually for collectibility. Grants receivable are at \$475,037. There is no allowance recorded at June 30, 2017, as all amounts are deemed collectible.

(f) Donated Goods and Services

The School receives donated services from unpaid volunteers. No amounts have been recognized in the accompanying statements of activities and changes in net assets, since the services do not meet the specialized skill criteria for recognition under U.S. GAAP.

The School is located in two New York City Department of Education facility's and utilizes a combined total of approximately 156,846 square feet for both facility's at no charge. In addition, the School received donated transportation and food service services from the local district. The School was unable to determine a value for these services.

(g) Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should such event occur.

(continued)

ACADEMIC LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue Recognition

The School recognizes revenue from the state and local governments based on the School's charter status and the number of students enrolled. Such revenue is recorded when services are performed, in accordance with the charter agreement. The New York State Department of Education mandates the rate per pupil. Such revenue is recognized ratably over the related school year during which it is earned.

Grants and contracts revenue is recognized when qualifying expenditures are incurred and/or services are provided to the students during the applicable school year. Funds received in advance, or any unspent funds for which qualifying expenditures have not been incurred, are recorded as refundable advances. Any unspent amounts usually are returned to the granting agency. However, the granting agency can approve that those amounts be applied to a future grant period.

(i) Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on an individual basis in the accompanying statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expense includes expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the School.

(j) Property and Equipment

Property and equipment are recorded at cost. Donated assets are capitalized at the estimated fair value at date of receipt. Maintenance and repairs are charged to expense as incurred; significant improvements are capitalized. The School capitalizes additions and significant improvements in excess of \$500. Items with an acquisition cost of less than \$500 or a useful life of less than one year are expensed in the year purchased. Depreciation is computed using the straight-line method over estimated useful lives of the respective assets of five years for furniture and fixtures and equipment and three years for software.

(k) Refundable Advances

Funds received in advance for which qualifying expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying statements of financial position

(l) Income Taxes

In 2009, the School filed and received approval of its application for tax-exempt status from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as a publicly supported organization as described in IRC sections 509(a)(1) and 170(b)(1)(a)(II).

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ACADEMIC LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the School has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that, as of June 30, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The School has not incurred any unrelated business income.

The School is no longer subject to income tax examination by federal, state, or local tax authorities for years before June 30, 2013.

(m) Prior Year Summarized Comparative Information

Information as of and for the year ended June 30, 2016 is presented for comparative purposes only. The notes to the financial statements and certain activity by net asset classification are not included in this report. Accordingly, such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the School's financial statements as of and for the years ended June 30, 2016 from which the summarized comparative information was derived.

(n) Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, "Presentation of Financial Statements for Not-for-Profit Entities." Under the new guidance, the existing three-category classification of net assets will be collapsed into two categories: with donor restrictions and without donor restrictions. Endowments that have a current fair value that is less than the original gift amount (underwater) will be classified in net assets with donor restrictions and expanded disclosures will be required. Additional requirements include disclosure of board-designated net assets, expanded reporting to present expenses by function and natural classification, and eliminating the disclosure of investment expenses that are netted against investment returns. ASU No. 2016-14 is effective for the fiscal years beginning after December 15, 2017 and early adoption is permitted. The School has not yet evaluated the impact this adoption will have on the financial statements.

(o) Subsequent Events

Management has evaluated subsequent events occurring after June 30, 2017 through October 31, 2017, which is the date the financial statements were available to be issued. Based on this evaluation, management has determined that no subsequent events have occurred which require disclosure in the financial statements.

ACADEMIC LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEFINED CONTRIBUTION PLAN

The School offers a 401(k) plan for all qualifying employees who are 21 years or older. Employees are eligible for the plan after three months of employment. Participation in the plan is voluntary. Employees can make pretax contributions up to a maximum of 100% of their annual compensation, up to \$18,000 for the 2016 and 2017 calendar years. For employees that have completed one year of eligibility service, the School matches 100% an employee's contribution up to 3% of the employee's annual compensation and 50% of an employee's contribution that are between 3% to 5% of an employee's annual compensation.. For the year ended June 30, 2017, the School's matching contribution was \$46,771. Such plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the plan's participants and beneficiaries.

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

At June 30, 2017, property, plant and equipment consisted of the following:

Land	\$ 3,259,800
Construction-in-progress	306,419
Furniture and fixtures	198,383
Equipment	568,065
Software	<u>10,289</u>
	4,342,956
Less, accumulated depreciation and amortization	<u>(681,111)</u>
	<u>\$ 3,661,845</u>

Land relates to a parcel of land on 356-362 East 139th Street in the Bronx, New York, which will be used to construct the School's future educational facility.

Depreciation expense for the year ended June 30, 2017 was \$64,232.

Construction-in-progress at June 30, 2017 consists of costs incurred for architecture, engineering, and professional fees related to the construction of the School's future education facility that is not yet in service. Construction-in-progress is stated at cost. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and put into use.

The School projected the total project will cost approximately \$36,000,000.

NOTE 5 - ACCRUED SALARIES AND OTHER PAYROLL-RELATED EXPENSES

Accrued expenses consist primarily of amounts due to staff for payroll earned during the school year, but paid out over the summer months.

ACADEMIC LEADERSHIP CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CONCENTRATIONS OF RISK

The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The School believes it is not exposed to significant credit risk on cash and cash equivalents.

The School received approximately 92% of its operating revenue, which is subject to specific requirements, from per pupil funding from the New York City Department of Education during the year ended June 30, 2017. Additionally the School's grants receivable consists of approximately 95% from the New York State Department of Education and the Federal Title I grants.

NOTE 7 - CONTINGENCY

The School participates in a number of federal and state programs. These programs require that the School comply with certain requirements of laws, regulations, contracts, and grant agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government and contracts by government agencies is presently not determinable, it should not, in the opinion of management, have a material effect on the School's financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

NOTE 8 - SCHOOL FACILITY

The School shares space with a New York City public school. The School is not responsible for services other than the security needed after public school hours.

On July 1, 2016, the School entered into a one-year operating lease with the Church of St. Pius in the Bronx for a second location for classroom space and administrative offices. For the year ended June 30, 2017, rent of \$19,313 was included in facility expense.

**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**

To the Board of Trustees of
Academic Leadership Charter School

We have audited, 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, the financial statements of Academic Leadership Charter School (the "School"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in unrestricted net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 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.

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 School's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berdon LLP
Certified Public Accountants

New York, New York
October 31, 2017