Bronx Preparatory Charter School and Affiliate

Consolidated Financial Report and Reports
Required by OMB Circular A-133
June 30, 2014

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McGladrey

Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Bronx Preparatory Charter School and Affiliate (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information
We have previously audited the Organization's 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 1, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is for purposes of additional analysis rather than to present the financial position and changes in net assets of the individual entities. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis. The consolidating information and the schedule of expenditures of federal awards are not required parts of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

New York, New York
October 30, 2014

Bronx Preparatory Charter School and Affiliate

Consolidated Statement of Financial Position
June 30, 2014
(with summarized comparative information as of June 30, 2013)

	2014	2013
Assets		
Cash and Cash Equivalents	**$ 1,667,567**	$ 2,517,559
Investments	**968,381**	952,413
Contributions and Other Receivables, Net	**124,519**	202,852
Other Assets	**27,000**	105,688
Property and Equipment, Net	**15,633,415**	16,313,370
Total assets	**$18,420,882**	$20,091,882
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 391,993**	$ 212,340
Refundable advance	**23,912**	-
Total liabilities	**415,905**	212,340
Contingencies and Commitments		
Net Assets		
Unrestricted	**17,994,977**	19,874,542
Temporarily restricted	**10,000**	5,000
Total net assets	**18,004,977**	19,879,542
Total liabilities and net assets	**$18,420,882**	$20,091,882

See Notes to Consolidated Financial Statements.

Bronx Preparatory Charter School and Affiliate

Consolidated Statement of Activities
Year Ended June 30, 2014
(with summarized comparative information for the year ended June 30, 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Summarized Comparative Information Total
Operating Revenue				
State and local per pupil operating revenue	**$ 9,468,264**	**$ -**	**$ 9,468,264**	$ 9,943,892
Government grants and contracts	**805,612**	**-**	**805,612**	927,332
Total operating revenue	**10,273,876**	**-**	**10,273,876**	10,871,224
Expenses				
Program services:				
Academic program	**10,994,583**	**-**	**10,994,583**	9,879,697
Enrichment programs	**549,930**	**-**	**549,930**	587,192
General and administrative	**599,857**	**-**	**599,857**	690,764
Total operating expenses	**12,144,370**	**-**	**12,144,370**	11,157,653
Deficit on school operations from government funding	**(1,870,494)**	**-**	**(1,870,494)**	(286,429)
Support and Other Revenue (Expense)				
Contributions:				
Foundations	**34,500**	**10,000**	**44,500**	75,000
Individuals	**47,235**	**-**	**47,235**	123,839
Corporations	**750**	**-**	**750**	45,264
Donated services and in-kind contributions	**55,640**	**-**	**55,640**	93,423
Benefit event	**500**	**-**	**500**	26,832
Interest and investment income	**25,720**	**-**	**25,720**	558
Miscellaneous and other income	**9,175**	**-**	**9,175**	27,869
Net assets released from restrictions	**5,000**	**(5,000)**	**-**	-
Fund-raising expenses	**(176,452)**	**-**	**(176,452)**	(235,531)
Loss on uncollectible accounts	**(11,139)**	**-**	**(11,139)**	(4,167)
Loss on disposal of fixed assets	**-**	**-**	**-**	(6,913)
Total support and other (expense) revenue	**(9,071)**	**5,000**	**(4,071)**	146,174
Change in net assets	**(1,879,565)**	**5,000**	**(1,874,565)**	(140,255)
Net Assets				
Beginning	**19,874,542**	**5,000**	**19,879,542**	20,019,797
Ending	**$ 17,994,977**	**$ 10,000**	**$ 18,004,977**	$ 19,879,542

See Notes to Consolidated Financial Statements.

Bronx Preparatory Charter School and Affiliate

Consolidated Statement of Functional Expenses
Year Ended June 30, 2014
(with summarized comparative information for the year ended June 30, 2013)

	2014						2013
	Program Services			Supporting Services			
	Academic Program	Enrichment Programs	Total Program Expenses	General and Administrative	Fund-Raising	Total	Summarized Comparative Information Total
Salaries - educators	**$ 5,945,933**	**$ 222,552**	**$ 6,168,485**	**$ -**	**$ -**	**$ 6,168,485**	$ 5,873,362
Salaries - administrators	**172,188**	**-**	**172,188**	**375,458**	**102,389**	**650,035**	834,411
Salaries - facilities	**276,458**	**32,912**	**309,370**	**13,166**	**6,582**	**329,118**	302,183
Payroll taxes and employee benefits	**1,236,474**	**49,397**	**1,285,871**	**75,145**	**21,071**	**1,382,087**	1,352,923
Total personnel expenses	**7,631,053**	**304,861**	**7,935,914**	**463,769**	**130,042**	**8,529,725**	8,362,879
Staff recruitment and professional development	**240,887**	**-**	**240,887**	**51,217**	**-**	**292,104**	207,360
Student meals program	**253,135**	**4,128**	**257,263**	**-**	**-**	**257,263**	266,006
Classroom books and supplies	**710,892**	**-**	**710,892**	**-**	**-**	**710,892**	301,242
Office expenses	**39,909**	**4,751**	**44,660**	**1,900**	**950**	**47,510**	36,904
Student events	**115,060**	**28,765**	**143,825**	**-**	**-**	**143,825**	178,576
Audit/bank fees/payroll/legal	**176,697**	**21,035**	**197,732**	**8,414**	**4,207**	**210,353**	100,387
Insurance	**73,874**	**8,795**	**82,669**	**3,518**	**1,759**	**87,946**	84,230
Utilities	**184,414**	**21,954**	**206,368**	**8,782**	**4,391**	**219,541**	198,520
Equipment and furnishings	**16,757**	**1,995**	**18,752**	**798**	**399**	**19,949**	14,229
Facility maintenance and security	**353,212**	**42,049**	**395,261**	**16,820**	**8,410**	**420,491**	413,340
Information technology	**199,547**	**23,755**	**223,302**	**9,502**	**4,751**	**237,555**	165,059
Fund-raising	**-**	**-**	**-**	**-**	**3,975**	**3,975**	19,220
Donated services/in-kind donations	**46,737**	**5,564**	**52,301**	**2,226**	**1,113**	**55,640**	93,423
Enrichment fees/curriculum materials	**39,619**	**4,717**	**44,336**	**1,887**	**943**	**47,166**	10,674
Student field lessons	**52,518**	**-**	**52,518**	**-**	**-**	**52,518**	124,851
College preparation program	**208,762**	**-**	**208,762**	**-**	**-**	**208,762**	61,360
Depreciation	**651,510**	**77,561**	**729,071**	**31,024**	**15,512**	**775,607**	754,924
Total expenses - 2014	**$ 10,994,583**	**$ 549,930**	**$ 11,544,513**	**$ 599,857**	**$ 176,452**	**$ 12,320,822**	
Total expenses - 2013	$ 9,879,697	$ 587,192	$ 10,466,889	$ 690,764	$ 235,531		$ 11,393,184

See Notes to Consolidated Financial Statements.

Bronx Preparatory Charter School and Affiliate

Consolidated Statement of Cash Flows
Year Ended June 30, 2014
(with summarized comparative information for the year ended June 30, 2013)

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	**$ (1,874,565)**	$ (140,255)
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	**775,607**	754,924
Net realized and unrealized (gain) loss on investments	**(15,069)**	3,515
Loss on disposal of fixed assets	**-**	6,913
Loss on uncollectible accounts	**11,139**	4,167
Changes in operating assets and liabilities:		
Decrease in contributions and other receivables	**67,194**	203,731
Decrease (increase) in other assets	**78,688**	(18,643)
Increase (decrease) in accounts payable and accrued expenses	**179,653**	(156,022)
Increase in refundable advance	**23,912**	-
Net cash (used in) provided by operating activities	**(753,441)**	658,330
Cash Flows From Investing Activities		
Purchases of investments	**(899)**	(319)
Proceeds from sale of investments	**-**	41,007
Purchases of property and equipment	**(95,652)**	(118,755)
Net cash (used in) investing activities	**(96,551)**	(78,067)
Net change in cash and cash equivalents	**(849,992)**	580,263
Cash and Cash Equivalents		
Beginning	**2,517,559**	1,937,296
Ending	**$ 1,667,567**	$ 2,517,559

See Notes to Consolidated Financial Statements.

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

Organization and principal business activity: Bronx Preparatory Charter School (the School) is an educational corporation that operates a charter school in the borough and county of The Bronx, New York. The School was granted a provisional charter on April 4, 2000 valid for a term of five years and renewable upon expiration. The charter was renewed in 2005 and 2010 for full five-year terms. The current charter will expire at the close of 2014 - 2015 school year, and the School submitted a renewal application on August 15, 2014. The charter renewal application is pending approval from the State University of New York (SUNY) Board of Trustees, and approval is expected to take place in January or February of 2015.

The School was established to prepare underserved middle school and high school students for higher education, community involvement and lifelong success through a structured, caring environment of high academic expectations. In fiscal year 2014, the School operated classes for students in grades 5 through 12.

In April 2014, the School entered into a management agreement with Democracy Prep Public Schools (DPPS), a New York Not-For-Profit Corporation. On June 5, 2014, the SUNY Trustees' delegation of authority to the Charter School Institute approved DPPS to operate Bronx Preparatory Charter School for the 2014 - 2015 school year. DPPS will, subject to the supervision of the board of trustees, manage and operate the School consistent with the School's charter and in accordance with applicable local, state and federal laws.

Friends of Bronx Preparatory Charter School, Inc. (Friends) was organized under the laws of the State of New York on June 29, 1999 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 an application for such a charter and making contributions to such a school and other tax-exempt organizations. Friends is a not-for-profit organization with a majority of the same directors as the School. The School's board of trustees controlled the appointment of directors to Friends' board of trustees until September 23, 2014, when the by-laws of Friends was amended and restated and Friends ceased to be controlled by the School.

Basis of accounting and financial statement presentation: The accompanying consolidated financial statements include the accounts of the School and Friends (collectively referred to as the Organization). All inter-organizational accounts and transactions between these entities have been eliminated.

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. Accordingly, net assets are classified as unrestricted, temporarily restricted or permanently restricted based on the designation of donors. At June 30, 2014 and 2013, the Organization had no permanently restricted net assets.

Revenue recognition: Revenue from the state and local government 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 grants and contracts is recognized when qualifying expenditures are incurred. Any cash received in excess of expenditures incurred is recognized as refundable advances.

Contributions are recognized as revenue in the year the pledge is received and documented. Contributions and unconditional promises to give are considered to be available for unrestricted use unless specifically restricted by the donor.

Note 1. Organization, Principal Business Activity and Summary of Significant Accounting Policies (Continued)

Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support, which increases that net asset class. When the specified purpose or time restriction of donor-restricted contributions is met, the net asset is released from restriction and transferred to unrestricted net assets. Contributions of assets other than cash are recorded at their estimated fair value.

Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets or would have been purchased if not provided by donation, require specialized skills and are provided by individuals possessing such specialized skills.

A number of volunteers have made a contribution of their time to the Organization to develop its academic and other programs and to serve on both boards of directors. The value of this contributed time is not reflected in these consolidated financial statements inasmuch as such services either do not require specialized skills or would not typically be purchased had they not been provided by donation.

The School provides a venue for The Children's Aid Society, an unrelated not-for-profit organization, to provide the Carrera Adolescent Pregnancy Prevention Program directly to its students. The value of this program service, estimated to be $1,412,000 for 2014 and $1,316,000 for 2013, is not recognized in these consolidated financial statements.

The New York City Department of Education provides transportation and the federal and state government provides funding for free and reduced-cost breakfast, lunches and snacks directly to a majority of the School's students. The School covers the cost of lunches for children not entitled to the free lunches. Food service revenue and expense are included in these consolidated financial statements.

Functional expenses: The Organization's program services consist of both the academic program and enrichment programs. The academic program includes costs incurred directly in connection with the School providing a rigorous extended-year college preparatory middle school and high school education. Enrichment programs include costs incurred to run the School's enrichment and college preparatory programs.

Certain costs and expenses are allocated between program and supporting services.

Cash equivalents: The Organization considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents. The Organization maintains cash and cash equivalents in bank deposits and money market accounts with one financial institution. At times, balances on these accounts may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

Receivables: Receivables are reported at their outstanding unpaid balances, less an allowance for present value discounts and doubtful accounts. Management evaluates the collectability of these receivables on a case-by-case basis considering the Organization's experience with the donor or funding source and their ability to pay, and writes off receivables that are deemed to be uncollectible.

Investments: Investments are stated at fair value.

Note 1. Organization, Principal Business Activity and Summary of Significant Accounting Policies (Continued)

Fair value measurements: Assets and liabilities reported at fair value are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1 Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated
by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

Level 3 Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single-dealer quotes not corroborated by observable market data.

Property and equipment: Property and equipment is recorded at cost. The Organization capitalizes all purchases of property and equipment in excess of $1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Use of 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 those estimates.

Prior-year summarized information: The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset and functional classifications. 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, 2013, from which the summarized information was derived.

Income taxes: The Internal Revenue Service has determined that both the School and Friends are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and from state and local income taxes. Both the School and Friends are subject to unrelated business income tax (UBIT), if applicable. For the years ended June 30, 2014 and 2013, the School and Friends did not owe any UBIT.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to or disclosure to these consolidated financial statements. Generally, the Organization is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2011, which is the standard statute of limitations look-back period.

Note 1. Organization, Principal Business Activity and Summary of Significant Accounting Policies (Continued)

Reclassifications: For comparability, certain 2013 amounts have been reclassified, where appropriate, to conform with the financial statement presentation used in 2014. Such reclassifications had no effect on previously reported net assets or changes in net assets.

Subsequent events: The Organization evaluates events occurring after the date of the consolidated financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the consolidated financial statements. Such evaluation is performed through the date the consolidated financial statements are available to be issued, which was October 30, 2014 for these consolidated financial statements.

Note 2. Fair Value Measurements and Investments

Assets measured at fair value on a recurring basis using Level 1 inputs consist of the following investments:

	2014	2013
Money market funds	$ 968,381	$ 847,653
Equities - stocks	-	104,760
Investments measured at fair value	$ 968,381	$ 952,413

The Organization's investments at June 30, 2014 are held by one financial institution.

Investment income shown in the accompanying consolidated statement of activities consists of the following:

	2014	2013
Interest income	$ 10,651	$ 4,073
Net realized and unrealized gain (loss)	15,069	(3,515)
	$ 25,720	$ 558

Note 3. Contributions and Other Receivables

Contributions and other receivables include receivables from government contracts and unconditional promises to give, and are due within one year. Management has evaluated these receivables and determined that all of these receivables will be collected in full, and no allowance for uncollectible accounts is necessary.

Note 4. Property and Equipment, Net

Property and equipment, net, consists of the following:

	2014	2013	Estimated Useful Life
Computer equipment and software	$ 907,914	$ 845,676	3 to 5 years
Furniture and fixtures	383,127	368,310	7 years
Musical instruments	112,677	112,677	7 years
Office equipment	204,990	202,181	7 years
Land at 3872 Third Avenue (a, b)	658,614	658,614	
Building and improvements (a, b)	19,794,886	19,779,098	10 to 39 years
	22,062,208	21,966,556	
Less accumulated depreciation	(6,428,793)	(5,653,186)	
	$15,633,415	$16,313,370	

(a) The land was purchased by the School and subsequently transferred to Friends on the same day that it was acquired from the New York City Economic Development Corporation.

(b) In 2007, Friends sublet the land and building to the School through November 30, 2027 at an annual amount of $704,100. On July 1, 2014, the lease agreement between the School and Friends was amended and restated. The amended and restated lease agreement commenced on September 29, 2014 and shall expire on the earlier of: (1) the last day of month of the 99th anniversary of the commencement date; (2) the termination for any reason of the management agreement dated April 30, 2014, as amended, between the School and DPPS; or (3) revocation or non-renewal of the School's charter. Pursuant to the amended and restated lease agreement, the School shall pay Friends a monthly base rent of $5,791.67, commencing on July 1, 2014, plus property and other taxes that accrue during the term of the lease.

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2013 are available for certain school programs.

Note 6. Contingencies

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

There are pending legal actions against the School which, in the opinion of management, will not result in a material loss to the School.

Note 7. Employee Benefit Plan

The School maintains a defined contribution retirement plan (the Plan) under Section 401(k) of the Code covering all eligible employees. Under the Plan, the School provides matching contributions equal to 100% of the first 5% of employee contributions made to the Plan. The amount charged to operations for contributions to the Plan for the years ended June 30, 2014 and 2013 approximated $95,000 and $74,000, respectively. An officer of the School and a member of the board of trustees of the School serve as trustees of the Plan.

McGladrey

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
Bronx Preparatory Charter School
Bronx, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bronx Preparatory Charter School (the School) and Affiliate (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 30, 2014.

Internal Control Over Financial Reporting
In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 Organization's consolidated 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*.

Member of the RSM International network of independent accounting, tax and consulting firms.

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

McGladrey LLP

New York, New York
October 30, 2014

McGladrey

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance

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

Report on Compliance for Each Major Federal Program
We have audited Bronx Preparatory Charter School's (the School) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on of the School's major federal program for the year ended June 30, 2014. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for the School's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program
In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2014.

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Report on Internal Control Over Compliance
Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

New York, New York
October 30, 2014

Bronx Preparatory Charter School and Affiliate

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	CFDA Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through the New York State Education Department			
Child Nutrition Cluster:			
School Breakfast Program		10.553	$ 59,826
National School Lunch Program		10.555	246,814
Total U.S. Department of Agriculture			306,640
U.S. Department of Education			
Passed Through the New York State Education Department			
Grants to Local Educational Agencies (Title I, Part A Cluste	0021-13-4125	84.010	422,907
Improving Teacher Quality State Grants (Title IIA)	0147-13-4125	84.367	25,589
Passed Through the Center for Educational Innovation - Public Education Association			
Partnership for Innovation in Compensation for Charter Schools - NYC:			
Teacher Incentive Fund	S374A100009-10A	84.374A	36,963
Total U.S. Department of Education			485,459
Total expenditures of federal awards			$ 792,099

Note 1. Basis of Presentation

This schedule of expenditures of federal awards includes the federal grant activity of the School under programs of the federal government for the year ended June 30, 2014 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Bronx Preparatory Charter School and Affiliate

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _yes √ no
- Significant deficiency(ies) identified? _yes √ none reported

Noncompliance material to financial statements noted? _yes √ no

Federal Awards

Internal control over major program:

- Material weakness(es) identified? _yes √ no
- Significant deficiency(ies) identified? _yes √ none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _yes √ no

Identification of Major Program:

CFDA Number(s)	Program Name or Cluster
84.010	Grants to Local Educational Agencies (Title I, Part A Cluster)

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? √ yes _no

Bronx Preparatory Charter School and Affiliate

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

II. Findings Related to the Financial Statement Audit as Required to Be Reported in Accordance with *Government Auditing Standards*

A. Internal Control

None reported.

B. Compliance Findings

None reported.

III. Findings and Questioned Costs for Federal Awards

A. Internal Control

None reported.

B. Compliance Findings

None reported.

Bronx Preparatory Charter School and Affiliate

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

The prior year single audit disclosed no significant findings, and no significant uncorrected or unresolved findings exist from prior single audits.

Bronx Preparatory Charter School and Affiliate

Consolidating Statement of Financial Position
June 30, 2014

	Bronx Preparatory Charter School	Friends of Bronx Preparatory Charter School, Inc.	Eliminations	Total
Assets				
Cash and Cash Equivalents	$ 1,206,077	$ 461,490	$ -	$ 1,667,567
Investments	777,295	191,086	-	968,381
Contributions and Other Receivables, Net	114,519	10,000	-	124,519
Due From Affiliate	-	377,571	(377,571)	-
Other Assets	18,875	8,125	-	27,000
Property and Equipment, Net	1,275,263	14,358,152	-	15,633,415
Total assets	$ 3,392,029	$ 15,406,424	$ (377,571)	$ 18,420,882
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	$ 386,604	$ 5,389	$ -	$ 391,993
Refundable advance	23,912	-	-	23,912
Due to affiliate	377,571	-	(377,571)	-
Total liabilities	788,087	5,389	(377,571)	415,905
Contingencies and Commitments				
Net Assets				
Unrestricted	2,603,942	15,391,035	-	17,994,977
Temporarily restricted	-	10,000	-	10,000
Total net assets	2,603,942	15,401,035	-	18,004,977
Total liabilities and net assets	$ 3,392,029	$ 15,406,424	$ (377,571)	$ 18,420,882

Bronx Preparatory Charter School and Affiliate

Consolidating Statement of Activities
Year Ended June 30, 2014

	Bronx Preparatory Charter School	Friends of Bronx Preparatory Charter School, Inc.	Eliminations	Total
Operating Revenue				
State and local per pupil operating revenue	$ 9,468,264	$ -	$ -	$ 9,468,264
Government grants and contracts	805,612	-	-	805,612
Total operating revenue	10,273,876	-	-	10,273,876
Expenses				
Program services:				
Academic program	11,104,820	593,863	(704,100)	10,994,583
Enrichment programs	482,950	66,980	-	549,930
General and administrative	486,743	113,114	-	599,857
Total operating expenses	12,074,513	773,957	(704,100)	12,144,370
(Deficit) excess on school operations from government funding	(1,800,637)	(773,957)	704,100	(1,870,494)
Support and Other Revenue (Expense)				
Contributions:				
Foundations	8,500	36,000	-	44,500
Individuals	9,800	37,435	-	47,235
Corporations	150	600	-	750
In-kind contributions	55,640	-	-	55,640
Benefit event	500	-	-	500
Interest and investment income	17,076	8,644	-	25,720
Miscellaneous and other income	9,155	704,120	(704,100)	9,175
Fund-raising expenses	(140,083)	(36,369)	-	(176,452)
Loss on uncollectible accounts	(11,139)	-	-	(11,139)
Total support and other revenue (expense)	(50,401)	750,430	(704,100)	(4,071)
Change in net assets	(1,851,038)	(23,527)	-	(1,874,565)
Net Assets				
Beginning	4,454,980	15,424,562	-	19,879,542
Ending	$ 2,603,942	$ 15,401,035	$ -	$ 18,004,977