

CENTRAL BROOKLYN ASCEND CHARTER SCHOOL  
(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2015

CENTRAL BROOKLYN ASCEND CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
FINANCIAL STATEMENTS  
JUNE 30, 2015

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FRUCHTER ROSEN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES OF  
CENTRAL BROOKLYN ASCEND CHARTER SCHOOL

***Report on the Financial Statements***

We have audited the accompanying financial statements of Central Brooklyn Ascend Charter School (the "School") (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the period from January 1, 2013(inception) to June 30, 2015, 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 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the 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 School'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 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 financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2015, and the changes in its net assets and its cash flows for the period from January 1, 2013(inception) to June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 School's internal control over financial reporting and compliance.

  
FRUCHTER ROSEN & COMPANY, P.C.  
Certified Public Accountants

New York, New York  
October 30, 2015

CENTRAL BROOKLYN ASCEND CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2015

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 292,492
Grants and contracts receivable	587,034
Prepaid expenses and other current assets	1,047
Total current assets	<u>880,573</u>
Other assets	
Property and equipment, net of accumulated depreciation and amortization of \$20,984	532,036
Security deposit	1,025
Restricted cash	25,008
Total other assets	<u>558,069</u>
TOTAL ASSETS	<u><u>\$ 1,438,642</u></u>
LIABILITIES AND UNRESTRICTED NET ASSETS	
Current liabilities:	
Accounts payable and accrued expenses	\$ 341,067
Accrued payroll and payroll taxes	82,153
Due to related parties	396,340
Refundable advances	4,133
TOTAL LIABILITIES	<u>823,693</u>
Unrestricted net assets	<u>614,949</u>
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	<u><u>\$ 1,438,642</u></u>

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

CENTRAL BROOKLYN ASCEND CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
STATEMENT OF ACTIVITIES  
FOR THE PERIOD FROM JANUARY 1, 2013 (INCEPTION) TO JUNE 30, 2015

Operating revenue:	
State and local per pupil operating revenue	\$ 2,402,786
State and local per pupil facilities funding	427,553
Federal grants	489,601
Federal IDEA	12,938
State and city grants	142,821
Total operating revenue	<u>3,475,699</u>
Operating expenses:	
Program services:	
Regular education	1,848,191
Special education	467,811
Total program services	<u>2,316,002</u>
Supporting services:	
Management and general	545,099
Total operating expenses	<u>2,861,101</u>
Surplus from operations	614,598
Support and other revenue:	
Interest income	<u>351</u>
Change in unrestricted net assets	614,949
Unrestricted net assets - beginning of period	<u>-</u>
Unrestricted net assets - end of period	<u><u>\$ 614,949</u></u>

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

CENTRAL BROOKLYN ASCEND CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM JANUARY 1, 2013 (INCEPTION) TO JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in unrestricted net assets	\$ 614,949
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:	
Depreciation	20,984
(Increase) in certain assets:	
Grants and contracts receivable	(587,034)
Prepaid expenses and other current assets	(1,047)
Security deposit	(1,025)
Increase in certain liabilities:	
Accounts payable and accrued expenses	341,067
Accrued payroll and payroll taxes	82,153
Due to related parties	396,340
Refundable advances	4,133
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>870,520</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(553,020)
(Increase) in restricted cash	(25,008)
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(578,028)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	292,492
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 292,492</u>

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

CENTRAL BROOKLYN ASCEND CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Central Brooklyn Ascend Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on January 1, 2013 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The School will prepare kindergarten to twelfth grade students to thrive in competitive four year colleges. Classes commenced in August 2014 and the School provided education to approximately 159 students in the kindergarten and first grades during the 2014-2015 academic year.

Food and Transportation Services

In partnership with Brownsville Ascend Charter School (see Note 4), the School used an outside vendor to serve breakfast and lunch to its students and was able to work with Brownsville Ascend in order for them to receive reimbursement of expenses through the New York State and Federal school food program. The School covers the cost of breakfast and lunch for families who experience hardship and who do not qualify for free or reduced meals. The Office of Pupil Transportation provides free transportation to some of the students.

Tax Status

The School is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(ii). The School is subject to income taxes only on net unrelated business income. The School did not have any unrelated business income for the period from January 1, 2013(inception) to June 30, 2015.

The School's accounting policy provides that a tax expense or benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The School has no uncertain tax positions resulting in an accrual of tax expense or benefit.

IRS Form 990 filed by the School are subject to examination by the Internal Revenue Service for up to three years from the extended due date of each return. All Forms 990 filed by the School are subject to examination.

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 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. Accordingly, actual results could differ from those estimates.



CENTRAL BROOKLYN ASCEND CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (“FASB”) in its Accounting Standards Codification (“ASC”) 958-205. Under ASC 958-205, the School is required to report 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. The net assets classifications are described as follows:

Unrestricted

Unrestricted net assets of the School are assets whose use has not been restricted by an outside donor or by law. The unrestricted net assets represent the portion of expendable funds that are available for the support of the operations of the School.

Temporarily Restricted

Temporarily restricted net assets are used to differentiate resources, the use of which is restricted by donors or grantors to a specific time or period or for a specific purpose. Temporarily restricted gifts are recorded as additions to temporarily restricted net assets in the period received. When restricted net assets are expended for their stipulated purpose, temporarily restricted net assets become unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

Permanently Restricted

Permanently restricted net assets of the School are assets whose use has been permanently limited by donor-imposed restrictions. Such assets include contributions required to be invested in perpetuity, the income from which is available to support charitable purposes designated by the donors.

The School had no temporarily or permanently restricted net assets at June 30, 2015.

Revenue and Support

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School’s current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value.

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

CENTRAL BROOKLYN ASCEND CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments which potentially subject the School to concentrations of credit risk are cash and cash equivalents. The School places its cash and cash equivalents on deposit in what it believes to be highly credited financial institutions. Cash balances may exceed the FDIC insured levels of \$250,000 per institution at various times during the year. The School believes that there is little risk in any losses and has not experienced any losses in such accounts.

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 it occur.

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment acquired with certain government funding are recorded as expenses pursuant to the terms of the contract, in which ownership of such property and equipment is retained by the funding source. Maintenance and repairs are expensed as incurred. No amortization is recorded on construction-in-progress until property and equipment is placed into service.

Depreciation is provided on the straight line method over the estimated useful lives as follows:

Computers and equipment	3 and 5 years
Furniture and fixtures	5 years

Refundable Advances

The School records certain government grants and contracts as refundable advances until the related services are performed, at which time it is recognized as revenue.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of federal, state and city entitlements and grants. The School expects to collect these receivables within one year.

CENTRAL BROOKLYN ASCEND CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2015:

Computers and equipment	\$ 31,084
Furniture and fixtures	89,789
Construction in progress	<u>432,147</u>
	553,020
Less: accumulated depreciation	<u>(20,984)</u>
Total	<u>\$ 532,036</u>

Depreciation expense was \$20,984 for the period from January 1, 2013(inception) to June 30, 2015.

Construction in progress consists of phase 1 improvements and soft costs in connection with renovations of the School’s permanent facility.

NOTE 4 - RELATED PARTY TRANSACTIONS

The School is an affiliate of Ascend Learning, Inc. (“Ascend”), a New York State not-for-profit corporation. The School entered into an agreement with Ascend on June 23, 2014 to provide the School with its educational management services and designs. As per the management agreement, Ascend is to select and implement the School’s educational program, the professional development activities for all the School personnel, manage the School’s business administration, and provide a suitable facility for the School. The School pays to Ascend an annual fee of 12% of the School’s per pupil operating revenue, per pupil facilities revenue and federal Individuals with Disabilities Education Act revenue. The management fee for the period from January 1, 2013(inception) to June 30, 2015 was \$341,193. In addition, Ascend pays for operating expenses on behalf of the School and for the period from January 1, 2013(inception) to June 30, 2015, such expenses amounted to \$321,501.

The School is related to Brooklyn Ascend Charter School (“Brooklyn Ascend”), a charter school related by common management and Board members. Brooklyn Ascend shares and pays for salaries and other expenses on behalf of the School in the amount of \$6,560 for the period from January 1, 2013(inception) to June 30, 2015.

The School is related to Brownsville Ascend Charter School (“Brownsville Ascend”), a charter school related by common management and Board members. On June 23, 2014, the School entered into a sublease agreement with Brownsville Ascend to use a portion of the sixth floor of the building Brownsville Ascend occupies. The sublease was for one year ending June 30, 2015. Rent expense paid to Brownsville Ascend for the period from January 1, 2013(inception) to June 30, 2015 amounted to \$427,553. In addition, Brownsville Ascend shares and pays for salaries and other expenses on behalf of the School in the net amount of \$160,129 for the period from January 1, 2013(inception) to June 30, 2015.

CENTRAL BROOKLYN ASCEND CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 4 - RELATED PARTY TRANSACTIONS (Continued)

The School is related to Bushwick Ascend Charter School (“Bushwick Ascend”), a charter school related by common management and Board members. The School shares and pays for salaries and other expenses on behalf of Bushwick Ascend in the net amount of \$26,393 for the period from January 1, 2013(inception) to June 30, 2015.

The School is related to Canarsie Ascend Charter School (“Canarsie Ascend”), a charter school related by common management and Board members. Canarsie Ascend shares and pays for expenses on behalf of the School in the amount of \$1,469 for the period from January 1, 2013(inception) to June 30, 2015.

The net balances due to related parties consist of the following at June 30, 2015:

Ascend	\$ 112,057
Brooklyn Ascend	6,560
Brownsville Ascend	302,647
Bushwick Ascend	(26,393)
Canarsie Ascend	<u>1,469</u>
Net amount due to related parties	<u>\$ 396,340</u>

As of the issuance of this report, the net balance due to Ascend at June 30, 2015 has been paid in full. Balances due between the schools remain the same.

NOTE 5 - COMMITMENTS

On November 3, 2014, the School entered into an agreement to lease property at 465 East 29<sup>th</sup> Street, Brooklyn, NY. As per the terms of the agreement, the lease is for 30 years, commencing on June 1, 2015 and ending on June 30, 2045. The facility is currently tax exempt, but the School will be responsible for any real estate taxes arising out of the School’s occupancy.

Future minimum lease payments under the facility lease are as follows:

Year ending June 30,		\$ 561,000
	2016	656,000
	2017	721,600
	2018	721,600
	2019	721,600
	2020	<u>13,668,930</u>
	Thereafter	<u>\$ 17,050,730</u>

Rent expense for the permanent space amounted to \$46,750 for the period from January 1, 2013 (inception) to June 30, 2015. The School will recognize rent expense on a straight-line basis starting July 1, 2015.

CENTRAL BROOKLYN ASCEND CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 6 - REVENUE CONCENTRATION

The School receives a substantial portion of its support and revenue from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

NOTE 7 - CONTINGENCY

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

NOTE 8 - FUNCTIONAL ALLOCATION OF EXPENSE

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expense includes those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

NOTE 9 - RETIREMENT PLAN

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School will match employee contributions ranging from 2% to 4% of annual compensation. Employer match for the period from January 1, 2013 (inception) to June 30, 2015 amounted to \$3,430.

NOTE 10 - SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through October 30, 2015, the date the financial statements were available to be issued.

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INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION

TO THE BOARD OF TRUSTEES OF  
CENTRAL BROOKLYN ASCEND CHARTER SCHOOL

We have audited the financial statements of Central Brooklyn Ascend Charter School as of June 30, 2015 and for the period from January 1, 2013 (inception) to June 30, 2015, and have issued our report thereon dated October 30, 2015, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

  
FRUCHTER ROSEN & COMPANY, P.C.  
Certified Public Accountants

New York, New York  
October 30, 2015

CENTRAL BROOKLYN ASCEND CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE PERIOD FROM JANUARY 1, 2013 (INCEPTION) TO JUNE 30, 2015

	Regular Education	Special Education	Total Program Services	Management and General	Total
Salaries and wages	\$ 824,008	\$ 225,751	\$ 1,049,759	\$ 92,727	\$ 1,142,486
Employee benefits and payroll taxes	156,352	42,835	199,187	17,594	216,781
Professional fees	56,421	11,066	67,487	124,495	191,982
Management fees	122,598	13,879	136,477	204,716	341,193
Consultants - education	1,796	12,625	14,421	-	14,421
Legal fees	-	-	-	34,418	34,418
Curriculum and classroom supplies	122,005	13,812	135,817	-	135,817
Office supplies	-	-	-	8,488	8,488
Non-capitalized furniture and equipment	8,707	2,385	11,092	980	12,072
Leased equipment, furniture and fixtures	5,656	1,550	7,206	637	7,843
Communications	5,526	1,514	7,040	622	7,662
Occupancy	378,682	103,746	482,428	42,614	525,042
Insurance	14,812	3,990	18,802	1,619	20,421
Repairs and maintenance	25,328	6,939	32,267	2,850	35,117
Security	10,819	2,964	13,783	1,217	15,000
Marketing and recruiting	36,191	7,780	43,971	2,578	46,549
Staff development	38,016	5,668	43,684	956	44,640
Travel and meals	11,718	3,210	14,928	1,320	16,248
Postage, printing and copying	5,466	1,498	6,964	615	7,579
Dues and subscriptions	8,955	2,453	11,408	1,008	12,416
Depreciation	15,135	4,146	19,281	1,703	20,984
Miscellaneous	-	-	-	3,942	3,942
Total	<u>\$ 1,848,191</u>	<u>\$ 467,811</u>	<u>\$ 2,316,002</u>	<u>\$ 545,099</u>	<u>\$ 2,861,101</u>

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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  
CENTRAL BROOKLYN ASCEND CHARTER SCHOOL

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 Central Brooklyn Ascend Charter School (the "School"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the period from January 1, 2013 (inception) to June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2015.

***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.



TO THE BOARD OF TRUSTEES OF  
CENTRAL BROOKLYN ASCEND CHARTER SCHOOL

***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.

  
FRUCHTER ROSEN & COMPANY, P.C.  
Certified Public Accountants

New York, New York  
October 30, 2015

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INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED UPON PROCEDURES

To the Board of Trustees of Central Brooklyn Ascend Charter School:

We have performed the procedures identified below, which were agreed to by the management of Central Brooklyn Ascend Charter School (the "School") and the New York State Education Department ("NYSED") solely to assist the specified parties in evaluating the School's assertion to NYSED that it has maintained compliance with the requirements of the CSP grant and Federal and NYSED guidelines in managing the CSP grant for the period from January 1, 2013 (inception) to June 30, 2015.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specific users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our results are as follows:

Procedure #1: We will obtain the detail of expenditures incurred for the period under review relating to the CSP grant from the School's accounting software and reconcile to the grant revenue recorded by the School. If the CSP grant revenue does not equal the grant expenditures, we will investigate the differences.

Result: No exceptions noted.

Procedure #2: We will obtain the NYSED approved CSP grant award information, including the budget and any amendments, to determine if the revenue and expenditures recorded for the period appear reasonable.

Result: No exceptions noted.

Procedure #3: We will select a sample from the detail of expenditures obtained in Procedure #1.

- a. Payroll – We will select 10 items or 10% of the total number of payroll items charged to the grant, whichever is less.
- b. Other expenses – We will select 10 items or 10% of the total number of items charged to the grant, whichever is less.

- c. Using the above selected items, we will:
- i. Determine if the expenditure is in accordance with the purpose of the grant and that pre-opening expenditures are charged to pre-opening periods.
  - ii. Determine if the expenditure falls into an approved budget category.
  - iii. Determine if the expenditure was charged to the appropriate fiscal period.

Result: No exceptions noted.

Procedure #4: We will obtain FS-25 form(s) submitted to NYSED during the period under review and perform the following:

- a. Trace expenditures selected in Procedure #3 to requests for reimbursement. Determine that items requested for reimbursement had previously been expended or were expended within a month following the request for reimbursement. If items have not yet been requested for reimbursement, inquire of responsible School officials as to the plan for requesting reimbursement, and determine if a receivable is recorded, if appropriate.
- b. If FS-25 forms included amounts on Line 4 (Cash Expenditures Anticipated During Next Month), we will select one FS-25 and determine if funds were expended within 1 month following the date of the request.

Result: No exceptions noted.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on Central Brooklyn Ascend Charter School's compliance with the requirements of the CSP grant. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of Central Brooklyn Ascend Charter School and the New York State Education Department, and it is not intended to be and should not be used by anyone other than the specified parties.

  
FRUCHTER ROSEN & COMPANY, P.C.  
Certified Public Accountants

New York, New York  
October 30, 2015

FRUCHTER ROSEN & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
156 WEST 56<sup>TH</sup> STREET  
NEW YORK, NEW YORK 10019

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TEL: (212) 957-3600  
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October 30, 2015

To the Finance Committee of the Board of Trustees of  
Central Brooklyn Ascend Charter School

We have audited the financial statements of Central Brooklyn Ascend Charter School (the "School") for the June 30, 2015 and for the period from January 1, 2013 (inception) to June 30, 2015, and have issued our report thereon dated October 30, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated March 16, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests is not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed our audit according to the plan previously communicated to you prior to commencement of our audit field work.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2015. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are as follows:

- Collectability of grants and contracts receivables
- Useful lives of fixed assets
- Allocation of costs for the schedule of functional expenses

We evaluated the key factors and assumptions used to develop the above estimates in determining that it was reasonable in relation to the financial statement taken as a whole. The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. In addition, we are required to communicate with those charged with governance uncorrected misstatements and the effect that they may have on the opinion in the auditors' report, and request their correction. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 30, 2015.

#### *Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Audit Committee, the Board of Trustees and management of Central Brooklyn Ascend Charter School and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

  
FRUCHTER ROSEN & COMPANY, P.C.  
Certified Public Accountants

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October 30, 2015

To the Finance Committee of the Board of Trustees of  
Central Brooklyn Ascend Charter School  
231 Palmetto Street  
Brooklyn, NY 11221

In planning and performing our audit of the financial statements of Central Brooklyn Ascend Charter School (the "School") as of June 30, 2015 and for the period from January 1, 2013 (inception) to June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

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

We appreciate your cooperation and the assistance we received during the course of our audit.

  
FRUCHTER ROSEN & COMPANY, P.C.  
Certified Public Accountants

New York, New York  
October 30, 2015