

**COMMUNITY PARTNERSHIP  
CHARTER SCHOOL EDUCATION  
CORPORATION**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2016**

**COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION  
YEAR ENDED JUNE 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Community Partnership Charter School Education Corporation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Community Partnership Charter School Education Corporation ("CPCSEC") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statement of activities, 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 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 entity'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 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 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 Community Partnership Charter School Education Corporation as of June 30, 2016, and the change in its 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 Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in the accompanying combining statement of activities by school location for the year ended June 30, 2016 on page 13 is presented for 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2016, on our consideration of CPCSEC'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 CPCSEC's internal control over financial reporting and compliance.



Citrin Cooperman, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
October 27, 2016

**COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**

**ASSETS**

Cash and cash equivalent	\$ 2,157,858
Investments	3,367,427
Grants receivable	261,363
Accounts and interest receivable	160,470
Property and equipment, net of accumulated depreciation of \$397,544	<u>84,929</u>
TOTAL ASSETS	<u>\$ 6,032,047</u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable and accrued expenses	\$ 819,583
Due to NYC Department of Education	18,904
Due to Beginning with Children Foundation	<u>323,643</u>
Total liabilities	<u>1,162,130</u>
Contingencies (Note 7)	
Unrestricted net assets:	
Board-designated for facility and personnel costs	1,200,000
Undesignated	<u>3,669,917</u>
Total unrestricted net assets	<u>4,869,917</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,032,047</u>

See accompanying notes to financial statements.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Operating revenue:	
State and local per pupil operating revenue	\$ 10,943,878
Government grants	<u>595,725</u>
Total operating revenue	<u>11,539,603</u>
Operating expenses:	
Program services:	
Regular education	7,277,958
Special education	<u>2,555,037</u>
Total program services	<u>9,832,995</u>
Supporting services:	
Management and general	1,035,553
Fund-raising	<u>110,543</u>
Total supporting services	<u>1,146,096</u>
Total operating expenses	<u>10,979,091</u>
Surplus from government-funded school operations	<u>560,512</u>
Other revenue:	
Contributions and grants - private	17,967
Investment earnings	49,870
Other income	<u>1,628</u>
Total other revenue	<u>69,465</u>
Change in net assets	629,977
Net assets - beginning	<u>4,239,940</u>
NET ASSETS - ENDING	<u>\$ 4,869,917</u>

See accompanying notes to financial statements.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services			Supporting Services			Total
	Regular Education	Special Education	Total Program Services	Management and General	Fund-raising	Total Supporting Services	
Personnel services:							
Administrative staff personnel	\$ 332,567	\$ 51,548	\$ 384,115	\$ 348,948	\$ -	\$ 348,948	\$ 733,063
Instructional personnel	4,093,165	1,783,931	5,877,096	-	-	-	5,877,096
Non-instructional personnel	<u>38,268</u>	<u>5,932</u>	<u>44,200</u>	<u>151,420</u>	<u>-</u>	<u>151,420</u>	<u>195,620</u>
Total personnel services	4,464,000	1,841,411	6,305,411	500,368	-	500,368	6,805,779
Fringe benefits and payroll taxes	918,224	378,505	1,296,729	105,140	-	105,140	1,401,869
Retirement	54,242	22,359	76,601	6,211	-	6,211	82,812
Central service fees	669,954	103,844	773,798	221,085	110,543	331,628	1,105,426
Legal service	-	-	-	48,029	-	48,029	48,029
Accounting and audit services	-	-	-	74,357	-	74,357	74,357
Consulting services	247,883	62,322	310,205	39,250	-	39,250	349,455
Repairs and maintenance	6,561	973	7,534	476	-	476	8,010
Insurance	61,799	9,579	71,378	8,313	-	8,313	79,691
Supplies and materials	316,056	53,218	369,274	-	-	-	369,274
Equipment and furnishings	19,474	3,019	22,493	-	-	-	22,493
Staff development	140,862	21,834	162,696	-	-	-	162,696
Marketing and recruitment	97,363	15,091	112,454	-	-	-	112,454
Technology	97,194	15,065	112,259	1,541	-	1,541	113,800
Food service	7,598	1,178	8,776	-	-	-	8,776
Student services	100,329	15,551	115,880	-	-	-	115,880
Office expense	22,193	3,471	25,664	26,944	-	26,944	52,608
Depreciation	49,139	7,617	56,756	3,839	-	3,839	60,595
Bad debt expense	<u>5,087</u>	<u>-</u>	<u>5,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,087</u>
<b>TOTAL</b>	<b>\$ 7,277,958</b>	<b>\$ 2,555,037</b>	<b>\$ 9,832,995</b>	<b>\$ 1,035,553</b>	<b>\$ 110,543</b>	<b>\$ 1,146,096</b>	<b>\$ 10,979,091</b>

See accompanying notes to financial statements.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Cash flows from operating activities:	
Change in net assets	\$ 629,977
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized gain on investments	(7,395)
Depreciation	60,595
Bad debt expense	5,087
Changes in assets and liabilities:	
Grants receivable	148,322
Accounts and interest receivable	(158,134)
Prepaid expenses and other current assets	28,141
Accounts payable and accrued expenses	95,173
Due to Beginning with Children Foundation	92,790
Due to NYC Department of Education, net	<u>773</u>
Net cash provided by operating activities	<u>895,329</u>
Cash flows from investing activities:	
Purchase of property and equipment	(28,408)
Proceeds from sale of investments	900,000
Purchase of investments	<u>(1,100,000)</u>
Net cash used in investing activities	<u>(228,408)</u>
Net increase in cash and cash equivalent	666,921
Cash and cash equivalent - beginning	<u>1,490,937</u>
CASH AND CASH EQUIVALENT - ENDING	<u>\$ 2,157,858</u>

See accompanying notes to financial statements.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS**

Principal Business Activity

Community Partnership Charter School Education Corporation is an education corporation that operates two charter schools in the borough of Brooklyn, New York.

Effective October 1, 2014, Beginning with Children Charter School 2 ("BwCCS2") merged into Community Partnership Charter School ("CPCS"), the surviving entity. Concurrent with the merger, CPCS changed its name to Community Partnership Charter School Education Corporation ("CPCSEC").

On July 1, 2014, the Board of Regents of the University of the State of New York granted a fourth provisional charter to CPCS for the merger of BwCCS2 and CPCS to form CPCSEC expiring on July 31, 2017.

CPCSEC'S mission is to provide personalized education for each student, addressing weaknesses and reinforcing strengths through individualized instruction, dynamic curriculum, ongoing assessment and parental/community engagement. CPCSEC puts the needs of the whole student first, transcending the academic rigor of the classroom and nurturing the development of children from their formative years through college.

The New York City Department of Education ("NYCDOE") provides free and reduced-price lunches and transportation directly to a majority of CPCSEC's students.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Financial Statements

The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP") and is presented in accordance with accounting requirements for not-for-profit organizations. These requirements provide that all not-for-profit organizations provide a statement of financial position, a statement of activities and a statement of cash flows, and that net assets be classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor stipulations regarding their use.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalent

CPCSEC maintains cash in deposit accounts which, at times, may exceed federally insured limits. CPCSEC has not experienced any losses in these accounts. CPCSEC considers all highly liquid instruments purchased with a maturity of three months or less to be a cash equivalent.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions

The financial statements of CPCSEC reflects contributions received from the public and other organizations. Contributions are recognized in the accompanying statement of activities as revenue in the period in which they are received or unconditionally promised. CPCSEC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as "Net assets released from restrictions." Amounts received with donor stipulations that limit their use to certain purposes are reported as unrestricted support if the stipulated purpose restriction is accomplished in the same year.

Grants and Refundable Advances

Revenue from the state and local governments resulting from CPCSEC's charter status, which is based on the number of students enrolled, is recorded when services are performed in accordance with the charter agreement. Amounts received prior to services being rendered on behalf of students are recognized as amounts due to NYCDOE. Revenue from federal, state and local government cost reimbursement grants and contracts is recognized as revenue when qualifying expenditures are incurred. Amounts received in excess of expenditures incurred are recognized as refundable advances.

Grants Receivable

Grants receivable is stated at the amount management expects to collect. Management evaluates such receivables and establishes an allowance for doubtful accounts based on a history of write-offs and collections and current credit conditions. At June 30, 2016, management determined that no allowance was required.

Contributed Services

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

A number of volunteers have made a contribution of their time to CPCSEC to develop academic and other programs and to serve on the board of trustees. The value of this contributed time is not reflected in the accompanying financial statements inasmuch as those services would not typically be purchased had they not been provided by donation.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 8 for discussion of fair value measurements.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investments (Continued)

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Net appreciation (depreciation) includes the CPCSEC's gains and losses on investments bought and sold, as well as held, during the year.

One financial institution held 100% of CPCSEC's investments at June 30, 2016. These certificates of deposit are insured by the Securities Investor Protection Corporation.

Property and Equipment

CPCSEC capitalizes all purchases of property and equipment in excess of \$1,000 and with a useful life of greater than one year. Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Net Assets

Unrestricted net assets are net assets that are not restricted by donors or for which donor-imposed restrictions have expired. Board-designated net assets were established by the board of trustees to provide a fiscally prudent reserve for unforeseen facility, personnel and other issues. Temporarily restricted net assets are restricted by donors for a specific purpose or for a specified time period beyond the current fiscal year. At June 30, 2016, CPCSEC had no temporarily or permanently restricted net assets.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Certain costs have been allocated among program and supporting services.

Income Taxes

CPCSEC is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and from state income taxes. As a not-for-profit entity, CPCSEC is subject to unrelated business income tax ("UBIT"), if applicable.

CPCSEC recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*. Under that guidance, CPCSEC assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

Management has evaluated CPCSEC's tax positions and has concluded that CPCSEC has taken no uncertain tax positions that require adjustment to the financial statements. Generally, CPCSEC is no longer subject to income tax examinations by U.S. federal or state taxing authorities for years before 2012.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CPCSEC has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

CPCSEC assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in the circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no transfers among Levels 1, 2 and 3 during fiscal year 2016.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, CPCSEC has evaluated subsequent events through October 27, 2016, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**NOTE 3. RELATED-PARTY TRANSACTIONS**

The Beginning with Children Foundation (the "Foundation") is a not-for-profit organization dedicated to improving the educational opportunities of underserved children. The Foundation is a cofounder of CPCSEC.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3. RELATED-PARTY TRANSACTIONS (CONTINUED)**

As an educational manager to charter schools for the year ended June 30, 2016, the Foundation entered into an amended Memorandum of Understanding ("MOU") agreement with CPCSEC. Pursuant to the terms of the MOU agreement, CPCSEC agreed to pay service fees to the Foundation in the amount of \$1,105,426 for the fiscal year ended June 30, 2016. The Foundation supported CPCSEC in the areas of leadership and strategy, curriculum and assessment, research and evaluation, teacher development and recruitment, parent and family engagement, business services, compliance, development, technology, communications, board development and evaluation of effectiveness. At June 30, 2016, \$323,643 was due to the Foundation.

**NOTE 4. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2016:

Computer equipment	\$ 322,542
Furniture and fixtures	140,738
Leasehold improvements	<u>19,193</u>
	482,473
Less: accumulated depreciation	<u>(397,544)</u>
Property and equipment, net	\$ <u>84,929</u>

Depreciation expense amounted to \$60,595 for the year ended June 30, 2016.

**NOTE 5. SCHOOL FACILITIES**

CPCSEC occupies space in three public schools owned by the NYCDOE located in Brooklyn, New York, which have been made available to CPCSEC at no charge.

**NOTE 6. EMPLOYEE BENEFIT PLAN**

CPCSEC maintains a defined contribution plan under Section 401(k) of the Code covering all eligible employees. Under the plan, CPCSEC provides matching contributions. In addition, CPCSEC may elect, on a discretionary basis, to contribute a percentage of all qualified employees' compensation to the profit-sharing component of the plan. The amount charged to operations for contributions to the defined contribution plan was \$82,812 for the year ended June 30, 2016.

**NOTE 7. CONTINGENCIES**

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in the disallowance of costs submitted for reimbursement. Management is of the opinion that such cost disallowance, 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.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8. FAIR VALUE MEASUREMENTS**

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the table below. The valuation techniques are as follows:

- (a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The following table summarizes CPCSEC's assets measured at fair value on a recurring basis, categorized by GAAP's valuation hierarchy as of June 30, 2016.

Description	Quoted Prices in Active Markets for Identical Assets	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total	Valuation Technique
June 30, 2016:						
Money market fund (included in cash and cash equivalent)	\$ 116,945	\$ -	\$ -	\$ 116,945		(a)
Certificates of deposit (included in investments)	-	<u>3,367,427</u>	-	<u>3,367,427</u>		(a)
Total	<u>\$ 116,945</u>	<u>\$ 3,367,427</u>	<u>\$ -</u>	<u>\$ 3,484,372</u>		

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2016:

The money market fund is valued at cost plus accrued interest, which approximates fair value.

The certificates of deposit are stated at quoted market prices.

## **SUPPLEMENTARY INFORMATION**

**COMMUNITY PARTNERSHIP CHARTER SCHOOL EDUCATION CORPORATION**  
**COMBINING STATEMENT OF ACTIVITIES BY SCHOOL LOCATION**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Beginning with Children Charter School 2	Community Partnership Charter School - Pre-Kindergarten	Community Partnership Charter School - Lower School	Community Partnership Charter School - Middle School	Total
Operating revenue:					
State and local per pupil operating revenue	\$ 3,900,150	\$ 171,843	\$ 3,676,457	\$ 3,195,428	\$ 10,943,878
Government grants	<u>124,685</u>	<u>-</u>	<u>251,854</u>	<u>219,186</u>	<u>595,725</u>
Total operating revenue	<u><u>4,024,835</u></u>	<u><u>171,843</u></u>	<u><u>3,928,311</u></u>	<u><u>3,414,614</u></u>	<u><u>11,539,603</u></u>
Operating expenses:					
Program services:					
Regular education	2,588,748	175,396	2,342,055	2,171,759	7,277,958
Special education	<u>956,095</u>	<u>-</u>	<u>830,387</u>	<u>768,555</u>	<u>2,555,037</u>
Total program services	<u><u>3,544,843</u></u>	<u><u>175,396</u></u>	<u><u>3,172,442</u></u>	<u><u>2,940,314</u></u>	<u><u>9,832,995</u></u>
Supporting services:					
Management and general	372,243	14,589	346,821	301,900	1,035,553
Fund-raising	<u>38,248</u>	<u>-</u>	<u>39,607</u>	<u>32,688</u>	<u>110,543</u>
Total supporting services	<u><u>410,491</u></u>	<u><u>14,589</u></u>	<u><u>386,428</u></u>	<u><u>334,588</u></u>	<u><u>1,146,096</u></u>
Total operating expenses	<u><u>3,955,334</u></u>	<u><u>189,985</u></u>	<u><u>3,558,870</u></u>	<u><u>3,274,902</u></u>	<u><u>10,979,091</u></u>
Surplus (deficit) from government-funded school operations	<u>69,501</u>	<u>(18,142)</u>	<u>369,441</u>	<u>139,712</u>	<u>560,512</u>
Other revenue:					
Contributions and grants - private	5,174	-	7,793	5,000	17,967
Investment earnings	18,182	-	16,941	14,747	49,870
Other income	<u>1,171</u>	<u>-</u>	<u>457</u>	<u>-</u>	<u>1,628</u>
Total other revenue	<u><u>24,527</u></u>	<u><u>-</u></u>	<u><u>25,191</u></u>	<u><u>19,747</u></u>	<u><u>69,465</u></u>
CHANGE IN NET ASSETS	\$ <u>94,028</u>	\$ <u>(18,142)</u>	\$ <u>394,632</u>	\$ <u>159,459</u>	\$ <u>629,977</u>

See accompanying notes to financial statements.



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**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  
Community Partnership Charter School Education Corporation

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 Community Partnership Charter School Education Corporation ("CPCSEC") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, 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 27, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered CPCSEC'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 CPCSEC's internal control. Accordingly, we do not express an opinion on the effectiveness of CPCSEC'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 CPCSEC'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 CPCSEC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CPCSEC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Citrin Cooperman, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
October 27, 2016