

EXCELLENCE CHARTER SCHOOLS

BROOKLYN, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2015



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Excellence Charter Schools

Report on the Financial Statements

We have audited the accompanying financial statements of Excellence Charter Schools, which comprise the statement of financial position as of June 30, 2015 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial 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 Excellence Charter Schools as of June 30, 2015, and the changes 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 Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015 on our consideration of Excellence Charter Schools' 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 Excellence Charter Schools' internal control over other financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 20, 2015

EXCELLENCE CHARTER SCHOOLS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

CURRENT ASSETS

Cash		\$ 5,126,509
Certificates of deposit		202,831
Grants and other receivables		339,573
Prepaid expenses and other current assets		<u>37,865</u>
	TOTAL CURRENT ASSETS	<u>5,706,778</u>

<u>PROPERTY AND EQUIPMENT, net</u>		<u>812,576</u>
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	TOTAL ASSETS	<u>\$ 6,519,354</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses		\$ 652,094
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<u>NET ASSETS, unrestricted</u>		<u>5,867,260</u>
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	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,519,354</u>
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The accompanying notes are an integral part of the financial statements.

EXCELLENCE CHARTER SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2015

Operating revenue and support:		
State and local per pupil operating revenue		\$ 18,826,792
Federal grants		847,419
Contributions		82,842
Other income		<u>124,361</u>
	TOTAL OPERATING REVENUE AND SUPPORT	19,881,414
Expenses:		
Program services - education		16,115,283
General and administrative		<u>2,408,323</u>
	TOTAL EXPENSES	<u>18,523,606</u>
	CHANGE IN NET ASSETS	1,357,808
Unrestricted net assets at beginning of year - Excellence Boys Charter School of Bedford Stuyvesant		1,671,907
Transfer of net assets from merger of Excellence Girls Charter School		<u>2,837,545</u>
	UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 5,867,260</u>

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

EXCELLENCE CHARTER SCHOOLS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Program services - education	General and administrative	Total
Salaries	\$ 9,763,245	\$ 932,017	\$ 10,695,262
Payroll taxes and employee benefits	1,543,223	148,883	1,692,106
Repairs and maintenance	141,906	23,122	165,028
Textbooks	132,324	-	132,324
Instructional supplies and assessments	349,022	-	349,022
Computer and technology supplies	787,924	-	787,924
Student enrichment and services	601,268	-	601,268
Professional development	806,377	-	806,377
Professional services	-	50,344	50,344
Telephone	-	182,427	182,427
Occupancy	22,838	-	22,838
Insurance	-	170,606	170,606
Management fees	1,496,999	273,855	1,770,854
Office expense	132,492	590,381	722,873
Depreciation and amortization	335,084	4,166	339,250
Bad debt expense	2,581	-	2,581
Other	-	32,522	32,522
	<u>\$ 16,115,283</u>	<u>\$ 2,408,323</u>	<u>\$ 18,523,606</u>

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

EXCELLENCE CHARTER SCHOOLS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015

CASH FLOWS - OPERATING ACTIVITIES

Change in net assets	\$ 1,357,808
Adjustments to reconcile change in net assets to net cash provided from operating activities:	
Depreciation and amortization	339,250
Bad debt expense	2,581
Changes in certain assets and liabilities affecting operations:	
Grants and other receivables	(127,353)
Prepaid expenses and other current assets	4,428
Accounts payable and accrued expenses	<u>(297,144)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,279,570

CASH FLOWS - INVESTING ACTIVITIES

Purchases of property and equipment	(273,457)
Purchases of certificates of deposit	<u>(808)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(274,265)</u>

NET INCREASE IN CASH 1,005,305

Cash at beginning of year	<u>4,121,204</u>
CASH AT END OF YEAR	<u>\$ 5,126,509</u>

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

EXCELLENCE CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Excellence Charter Schools (the “Charter School”), is an educational corporation that commenced operating as a charter school in the borough of Brooklyn, New York City in July 2004. On February 19, 2010, the Charter School amended the provisional charter granted by the Board of Regents of the University of the State of New York which is valid for a term of five years and renewable upon expiration. On April 17, 2014, the Charter School was granted a five year charter renewal good through July 31, 2019. Prior to the merger effective July 1, 2014, as discussed below, the Charter School was legally named Excellence Boys Charter School of Bedford Stuyvesant.

The Charter School’s mission is to prepare students to enter, succeed in and graduate from outstanding college preparatory high schools and colleges.

Excellence Girls Merger

Effective July 1, 2014, Excellence Girls Charter School merged with Excellence Boys Charter School of Bedford Stuyvesant in accordance with the approval of the Charter School’s Board of Trustees and the New York State Board of Regents, and was renamed Excellence Charter Schools. Effective July 1, 2014 the assets, liabilities, and net assets of Excellence Girls were transferred to the Charter School. Total assets, liabilities, and net assets of Excellence Girls were \$3,258,576, \$421,031, and \$2,837,545, respectively, as of July 1, 2014. On the Statement of Cash Flows, balances at the beginning of the year have been restated to include the beginning balances of Excellence Girls. In conjunction with this merger, Excellence Girls Charter School was dissolved on July 1, 2014.

Financial Statement presentation

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

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2015.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. The Charter School had no temporarily restricted net assets at June 30, 2015.

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

EXCELLENCE CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

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

Contributions

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

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash

Cash balances are maintained at a financial institution located in New York and are insured by the FDIC up to \$250,000 at the institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to any significant risk in cash.

Certificates of Deposit

Certificates of deposit represent certificates of deposit with maturities of twelve months or less. The fair market value of the certificate of deposit was determined based on the original cost basis. In the normal course of business, the interest bearing account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risks in certificates of deposit.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2015.

EXCELLENCE CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Property and equipment

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

Leasehold improvements are amortized over the term of the lease or the estimated useful life of the building which is ten years.

Tax exempt status

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

The Charter School has filed for and received income tax exemptions in the jurisdictions where it is required to do so. The Charter School files the Form 990 tax returns in the U.S. federal jurisdiction. With few exceptions, as of June 30, 2015, the Charter School is no longer subject to U.S. federal income tax examinations by tax authorities for the years ended prior to June 30, 2012. The tax returns for the years ended June 30, 2012 through June 30, 2015 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it has not recognized any liability for unrecognized tax benefits.

Contributed services

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

In-kind contributions

Gifts and donations other than cash are recorded at fair value at the date of contribution. The Charter School received in-kind contributions of textbooks totaling \$95,208 in the year ended June 30, 2015 and are included in other income in the accompanying statement of activities and changes in net assets for the year ended June 30, 2015.

Use of estimates in the preparation of financial statements

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. Actual results could differ from those estimates.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 20, 2015, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

EXCELLENCE CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015

NOTE B: RELATED PARTY TRANSACTIONS

From inception, the Charter School has been assisted in the pursuit of its educational goals by Uncommon Schools, Inc. (“USI”) and its affiliate, Excellence Academies Foundation, Inc. (“EAF”). USI, a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Charter School.

USI and EAF raised the initial funding to plan the Charter School and to ensure and finance both the temporary and permanent facilities.

The Charter School entered into a five year agreement with USI, dated July 1, 2005, revised with a five year agreement dated September 26, 2006 and subsequently renewed for an additional five years beginning July 1, 2012, under which the Charter School pays USI a service fee of a set percentage of the average number of students enrolled at the Charter School during the school year multiplied by the approved per pupil operating expense for the school year, and a percentage of all other public entitlement funding receivable during the school year, excluding in-kind contributions and funds from competitive public grants. This percentage was fixed at 10% for Excellence Boys and 8.5% for Excellence Girls for the 2015 year and is fixed for the fiscal year 2016 for each of the schools ranging from 8% to 10% as outlined in the agreement. The fee incurred for the year ended June 30, 2015 was approximately \$1,771,000. At June 30, 2015, approximately \$272,000, are included in accounts payable relating to USI and approximately \$3,000 is included in accounts receivable relating to USI at June 30, 2015.

The Charter School entered into an operating lease for office and instructional space with EAF on May 15, 2006. The agreement requires the Charter School to make an annual rental payment of \$1 per year beginning July 1, 2006. EAF has entered into a sales transaction with the Board of Education to purchase the building, at which time the Board of Education would enter into a lease agreement with the Charter School to lease the facility for \$1 annually for up to 99 years. As of the date of the financial statements, this transaction has not been completed and, therefore, EAF continues to own the building and is continuing to lease the space to the Charter School for \$1 annually based on a verbal agreement. At June 30, 2015, approximately \$2,000, are included in accounts payable relating to EAF.

In December 2011, the Charter School entered into a memorandum of understanding with Williamsburg Collegiate Charter School and Kings Collegiate Charter School (“Kings”) to co-locate in a shared high school. Kings is the funding agent for the shared high school and expenses are allocated among applicable schools based on full time equivalent numbers. At June 30, 2015 there were no amounts included in accounts payable or grants and other receivables.

EXCELLENCE CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

In November 2013, a wholly-owned subsidiary of USI was created, Uncommon Crown Heights, LLC (“Crown Heights”), to manage the high school facility shared between an unrelated charter school and Williamsburg Collegiate Charter School, Kings Collegiate Charter School, and the Charter School. All schools located in the shared high school entered into an administrative costs management agreement and advanced Crown Heights funds to operate the location. The Schools will be charged an annual service fee of 0.5% of the combined facility budget by Crown Heights. There was no fee charged for the year ended June 30, 2015. Actual expenses are tracked and allocated to each party based on metrics developed by management. Depending on the actual expenses incurred, a prepaid balance or payable could exist at any given time. At June 30, 2015 approximately \$15,000 is included in prepaid expenses due to Crown Heights.

See Note I regarding a merger with related parties and replacement of the agreement with USI for providing management and other administrative support services.

NOTE C: SCHOOL FACILITY

The Charter School’s high school occupies space with a related charter school per a verbal agreement with a third party at no charge. During the year ended June 30, 2015 the Charter School paid certain utility and maintenance services on a square footage basis amounting to approximately \$22,800.

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Furniture and fixtures	\$ 249,184
Computers and software	1,428,749
Leasehold improvements	<u>1,062,957</u>
	2,740,890
Less accumulated depreciation and amortization	<u>1,928,314</u>
	<u>\$ 812,576</u>

NOTE E: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. The Charter School matches employee’s contributions up to the lesser of 3% of gross pay or \$3,500. The Charter School’s total contribution to the Plan for the year ended June 30, 2015 approximated \$174,500.

EXCELLENCE CHARTER SCHOOLS

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015

NOTE F: OPERATING LEASES

The Charter School leases office equipment under non-cancelable lease agreements expiring through June 2019. Lease expense was approximately \$155,900 for the year ended June 30, 2015. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 146,366
2017	128,404
2018	89,094
2019	<u>12,132</u>
	<u>\$ 375,996</u>

NOTE G: CONTINGENCY

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

At June 30, 2015, approximately 56% of accounts receivable are due from New York State. At June 30, 2015, approximately 38%, of receivables are due from a grantor.

During the year ended June 30, 2015, 95% of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School is located.

NOTE I: MERGER

In December 2014, the Charter School's Board of Trustees approved the merger of the Charter School and Leadership Preparatory Bedford Stuyvesant Charter School, as the successor Charter School under the name Uncommon New York City Charter Schools, in conjunction with Brooklyn East Collegiate Charter School, Bedford Stuyvesant Collegiate Charter School, Brownville Collegiate Charter School, Kings Collegiate Charter School, Leadership Preparatory Brownsville Charter School, Leadership Preparatory Canarsie Charter School, Leadership Preparatory Ocean Hill Charter School and Ocean Hill Collegiate Charter School. The merger was approved on March 6, 2015 by the SUNY Board of Trustees and on June 30, 2015 by the Board of Regents. The merger is effective July 1, 2015. In conjunction with this merger, the Charter School was dissolved and a new agreement is being negotiated with USI to provide management and other administrative support services to Uncommon New York City Charter Schools.

EXCELLENCE CHARTER SCHOOLS

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Excellence Charter Schools

We have audited the financial statements of Excellence Charter Schools as of and for the year ended June 30, 2015, and we have issued our report thereon dated October 20, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2015 financial information hereinafter 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 for the year ended June 30, 2015, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 20, 2015

EXCELLENCE CHARTER SCHOOLS

SCHEDULE OF EXCELLENCE BOYS AND EXCELLENCE GIRLS ACTIVITIES

YEAR ENDED JUNE 30, 2015

	Excellence Boys	Excellence Girls	Total
State and local per pupil operating revenue	\$ 10,497,375	\$ 8,329,417	\$ 18,826,792
Federal grants	521,225	326,194	847,419
Contributions	81,857	985	82,842
Other income	<u>79,649</u>	<u>44,712</u>	<u>124,361</u>
TOTAL OPERATING REVENUE AND SUPPORT	11,180,106	8,701,308	19,881,414
Salaries	6,093,756	4,601,506	10,695,262
Payroll taxes and employee benefits	987,081	705,025	1,692,106
Repairs and maintenance	116,539	48,489	165,028
Textbooks	98,377	33,947	132,324
Instructional supplies and assessments	158,827	190,195	349,022
Computer and technology supplies	404,965	382,959	787,924
Student enrichment and services	326,551	274,717	601,268
Professional development	482,281	324,096	806,377
Professional services	26,531	23,813	50,344
Telephone	99,835	82,592	182,427
Occupancy	22,838	-	22,838
Insurance	100,436	70,170	170,606
Management fees	1,042,083	728,771	1,770,854
Office expense	461,900	260,973	722,873
Depreciation and amortization	133,853	205,397	339,250
Bad debt expense	-	2,581	2,581
Other	<u>11,255</u>	<u>21,267</u>	<u>32,522</u>
TOTAL EXPENSES	<u>10,567,108</u>	<u>7,956,498</u>	<u>18,523,606</u>
CHANGE IN NET ASSETS	<u>\$ 612,998</u>	<u>\$ 744,810</u>	<u>\$ 1,357,808</u>

EXCELLENCE CHARTER SCHOOLS

SCHEDULE OF ELEMENTARY SCHOOL, MIDDLE SCHOOL, AND HIGH SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2015

	Excellence Boys				Excellence Girls			
	Elementary School	Middle School	High School	Total	Elementary School	Middle School	Total	Total
State and local per pupil operating revenue	\$ 6,265,578	\$ 3,760,068	\$ 471,729	\$ 10,497,375	\$ 5,936,101	\$ 2,393,316	\$ 8,329,417	18,826,792
Federal grants	349,689	149,637	21,899	521,225	215,332	110,862	326,194	847,419
Contributions	304	32,553	49,000	81,857	846	139	985	82,842
Other income	58,696	17,961	2,992	79,649	32,314	12,398	44,712	124,361
TOTAL OPERATING REVENUE AND SUPPORT	6,674,267	3,960,219	545,620	11,180,106	6,184,593	2,516,715	8,701,308	19,881,414
Salaries	3,398,309	2,358,081	337,366	6,093,756	3,171,960	1,429,546	4,601,506	10,695,262
Payroll taxes and employee benefits	579,778	364,728	42,575	987,081	489,328	215,697	705,025	1,692,106
Repairs and maintenance	58,709	31,220	26,610	116,539	18,365	30,124	48,489	165,028
Textbooks	59,500	32,405	6,472	98,377	19,548	14,399	33,947	132,324
Instructional supplies and assessments	109,337	44,107	5,383	158,827	134,966	55,229	190,195	349,022
Computer and technology supplies	288,033	103,870	13,062	404,965	272,209	110,750	382,959	787,924
Student enrichment and services	158,877	156,015	11,659	326,551	183,778	90,939	274,717	601,268
Professional development	316,640	153,237	12,404	482,281	220,157	103,939	324,096	806,377
Professional services	16,016	9,005	1,510	26,531	12,745	11,068	23,813	50,344
Telephone	72,116	22,870	4,849	99,835	42,952	39,640	82,592	182,427
Occupancy	-	-	22,838	22,838	-	-	-	22,838
Insurance	62,437	31,469	6,530	100,436	51,969	18,201	70,170	170,606
Management fees	624,640	370,835	46,608	1,042,083	519,320	209,451	728,771	1,770,854
Office expense	319,171	125,388	17,341	461,900	163,770	97,203	260,973	722,873
Depreciation and amortization	100,408	28,858	4,587	133,853	112,967	92,430	205,397	339,250
Bad debt expense	-	-	-	-	1,353	1,228	2,581	2,581
Other	9,261	1,385	609	11,255	14,535	6,732	21,267	32,522
TOTAL EXPENSES	6,173,232	3,833,473	560,403	10,567,108	5,429,922	2,526,576	7,956,498	18,523,606
CHANGE IN NET ASSETS	\$ 501,035	\$ 126,746	\$ (14,783)	\$ 612,998	\$ 754,671	\$ (9,861)	\$ 744,810	\$ 1,357,808

EXCELLENCE CHARTER SCHOOLS

ADVISORY COMMENT LETTER

JUNE 30, 2015



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 20, 2015

To the Board of Trustees
Excellence Charter Schools

In planning and performing our audit of the financial statements of Excellence Charter Schools (the “Charter School”) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter School’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter 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 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.

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.

During the course of our audit of the financial statements of Excellence Charter Schools as of June 30, 2015 and for the year then ended, we have updated the status of the comments that were included in our letter dated October 16, 2014 and are included for informational purposes. We do not consider this matter to be a significant deficiency or material weakness:

Records Retention and Maintenance

During our audit we noted one student file was not maintained for a student who transferred out of the School.

Recommendation

We recommend the Charter School adhere to its record retention and maintenance policy.

Status as of June 30, 2015

During our audit, we noted one student birth certificate was not maintained in the respective student's files as required by the School's policy.

* * * * *

This communication is intended solely for the information and use of management, the audit committee, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the Charter School's financial statements. Should you have any questions or comments, please contact Shelby Stenson or Ryan Snyder.

Very truly yours,

MENGEL, METZGER, BARR & CO. LLP

EXCELLENCE CHARTER SCHOOLS

BROOKLYN, NEW YORK

**SCHEDULES REQUIRED BY GOVERNMENT
AUDITING STANDARDS AND OMB CIRCULAR A-133**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2015



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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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

Board of Trustees
Excellence Charter Schools

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 Excellence Charter Schools, which comprise the statement of financial position as of June 30, 2015 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Excellence Charter Schools' 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 Excellence Charter Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Excellence Charter Schools' 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 Excellence Charter Schools' 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*.

We noted certain other matters that we reported to management of Excellence Charter Schools in a separate letter dated October 20, 2015.

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.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 20, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Excellence Charter Schools

Report on Compliance for Each Major Federal Program

We have audited Excellence Charter Schools' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Excellence Charter Schools' major federal programs for the year ended June 30, 2015. Excellence Charter Schools' major federal programs are 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 each of Excellence Charter Schools' major federal programs 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 Excellence Charter Schools' 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 each major federal program. However, our audit does not provide a legal determination of Excellence Charter Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Excellence Charter Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of Excellence Charter Schools 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 Excellence Charter Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each 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 Excellence Charter Schools' 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Excellence Charter Schools as of and for the year ended June 30, 2015, and have issued our report thereon dated October 20, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 20, 2015

EXCELLENCE CHARTER SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

	Federal CFDA Number	Pass-through Grantor's Number	Total Federal Expenditures
U.S. Department of Education:			
<u>Passed through New York State Education Department:</u>			
Title I - Grants to Local Educational Agencies	84.010	0021	646,994
Title IIA - Improving Teacher Quality	84.367	0147	<u>19,358</u>
Total U.S. Department of Education			666,352
TOTAL ALL PROGRAMS			<u>\$ 666,352</u>

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Excellence Charter Schools and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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.

EXCELLENCE CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes x no

Identification of major program:

CFDA Number:

84.010

84.367

Name of Federal Program or Cluster:

Title I - Grants to Local Educational Agencies

Title IIA - Improving Teacher Quality

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

Auditee qualified as low-risk auditee? _____ yes x no

EXCELLENCE CHARTER SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2015

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.