HARLEM LINK CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

HARLEM LINK CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION:	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5
Notes to financial statements	6 - 11
Independent auditors' report on supplementary information	12
Schedule of functional expenses	13
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*	14 - 15

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

TEL: (212) 957-3600
FAX: (212) 957-3696

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES OF
HARLEM LINK CHARTER SCHOOL

Report on the Financial Statements

We have audited the accompanying financial statements of Harlem Link 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 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 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 year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School's 2014 financial statements, and our report dated September 29, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 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.
FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
October 15, 2015

HARLEM LINK CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,665,308	$ 1,733,829
Grants and contracts receivable	117,966	90,685
Prepaid expenses and other current assets	52,223	72,108
Total current assets	1,835,497	1,896,622
Property and equipment, net of accumulated depreciation and amortization of $300,176 and $278,049, respectively	30,973	32,037
Restricted cash	75,177	75,154
TOTAL ASSETS	$ 1,941,647	$ 2,003,813
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 143,320	$ 109,252
Accrued payroll and payroll taxes	367,940	388,404
Refundable advances	-	11,336
Total current liabilities	511,260	508,992
Net assets:		
Unrestricted	1,430,387	1,485,261
Temporarily restricted	-	9,560
Total net assets	1,430,387	1,494,821
TOTAL LIABILITIES AND NET ASSETS	$ 1,941,647	$ 2,003,813

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

HARLEM LINK CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2015			
	Unrestricted	Temporarily Restricted	Total	2014
Revenue and other support:				
Public school district				
Regular student enrollment	$ 4,221,424	$ -	$ 4,221,424	$ 4,181,480
Students with disabilities	530,294	-	530,294	719,308
Grants and contracts				
State and local	36,573	-	36,573	20,241
Federal - E-Rate, IDEA, and Titles	193,932	-	193,932	171,920
Federal - other	-	-	-	8,000
Total revenue and other support	4,982,223	-	4,982,223	5,100,949
Expenses:				
Program services				
Regular education	3,723,815	-	3,723,815	3,753,603
Special education	733,183	-	733,183	769,098
Total program services	4,456,998	-	4,456,998	4,522,701
Supporting services				
Management and general	559,288	-	559,288	582,347
Fundraising	127,447	-	127,447	78,159
Total expenses	5,143,733	-	5,143,733	5,183,207
(Deficit) from operations	(161,510)	-	(161,510)	(82,258)
Support and other revenue:				
Contributions:				
Foundations	10,516	30,000	40,516	30,579
Individuals	16,224	33,808	50,032	36,753
Corporations	134	-	134	55
Fundraising	5,112	-	5,112	2,309
Interest income	995	-	995	1,130
Other income	287	-	287	-
Net assets released from restriction	73,368	(73,368)	-	-
Total support and other revenue	106,636	(9,560)	97,076	70,826
Changes in net assets	(54,874)	(9,560)	(64,434)	(11,432)
Net assets - beginning of year	1,485,261	9,560	1,494,821	1,506,253
Net assets - end of year	$ 1,430,387	$ -	$ 1,430,387	$ 1,494,821

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

HARLEM LINK CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (64,434)	$ (11,432)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	22,126	27,535
Changes in certain assets and liabilities:		
(Increase) Decrease in grants and contracts receivable	(27,281)	169,956
Decrease (Increase) in prepaid expenses and other current assets	19,885	(64,981)
Increase in accounts payable and accrued expenses	34,068	46,978
(Decrease) Increase in accrued payroll and payroll taxes	(20,464)	28,301
(Decrease) Increase in refundable advances	(11,336)	11,336
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(47,436)	207,693
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(21,062)	-
(Increase) in restricted cash	(23)	(35)
NET CASH (USED IN) INVESTING ACTIVITIES	(21,085)	(35)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(68,521)	207,658
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,733,829	1,526,171
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,665,308	$ 1,733,829

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

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

Nature of Organization

Harlem Link Charter School (the "School") is a New York State, non-for-profit educational corporation that was incorporated on September 10, 2004 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 September 10, 2004, 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 Board of Regents approved and issued several renewals to the School's charter expiring on July 31, 2018. The School's mission is to provide its students with a solid foundation for academic success. The School provided education to approximately 306 students in kindergarten through fifth grade in the 2014-2015 academic year.

The School shares space with a New York City public school beginning in May 2005. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services other than security related to the School's programs that take place outside the district's school day.

Tax Status

The School is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as a School 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)(l)(A)(ii). The School did not have net unrelated business income for the years ended June 30, 2015 and 2014.

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 position resulting in an accrual of tax expense or benefit.

IRS Forms 990 filed by the School are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Forms 990 filed by the School are no longer subject to examination for the fiscal years ended June 30, 2011, and prior.

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

Basis of Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board ("FASB") in its Accounting Standards Codification ("ASC") No. 958-205 which provides guidance for the classification of net assets. The amounts for each of the three classes of net assets are based on the existence or absence of donor-imposed restrictions 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 of the School represent those amounts that have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the School. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets, as net assets released from restrictions.

Permanently Restricted

Permanently restricted net assets of the School result from contributions 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 permanently restricted net assets at June 30, 2015 and 2014.

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.

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

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.

Cash and Cash Equivalents

For the purpose of the statements 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.

Property and Equipment

Purchased property and equipment are recorded at cost. Maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding, whereas the government agency retains legal title to the long lived asset is expensed as incurred. Depreciation and amortization is provided on the straight line method over the estimated useful lives as follows:

Furniture and fixtures	7 years
Computers and equipment	3 and 5 years
Software	3 years

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.

Refundable Advances

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

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

Reclassifications

Certain 2014 accounts have been reclassified to the 2015 financial statements presentation. The reclassifications have no effect on 2014 total assets, liabilities, net assets, and change in net assets.

Comparative Financial Information

The accompanying statements of activities and schedule of functional expenses are presented with summarized comparative information. Such prior year information is not presented by net asset class in the statements of activities or by functional category in the schedule of functional expenses. Accordingly, such information should be read in conjunction with the School's 2014 financial statements from which the summarized information was derived.

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.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30,:

	2015	2014
Furniture and fixtures	$ 40,716	$ 36,381
Computers and equipment	279,355	262,627
Software	11,078	11,078
	331,149	310,086
Less: Accumulated depreciation and amortization	300,176	278,049
	$ 30,973	$ 32,037

Depreciation and amortization expense was $22,126 and $27,535 for the years ended June 30, 2015 and 2014, respectively.

NOTE 4 - COMMITMENT

The School leases office copiers under a non-cancelable operating lease expiring in December 2018. The future minimum lease payments under the copier lease are as follows:

Year ending June 30,	2016	$ 23,880
	2017	23,880
	2018	23,880
	2019	11,940
		$ 83,580

NOTE 5 - 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 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 - 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 8 - PENSION PLAN

The School provides a pension plan qualified under Internal Revenue Code 403(b) for the benefit of its eligible employees. Under the plan, the School is not required to match employee contributions. For the years ended June 30, 2015 and 2014, the School did not match contributions.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30,:

	2015	2014
After school activities	$ -	$ 9,560

Net assets for the years ended June 30, 2015 and 2014, were released from donor restrictions by satisfying the purpose specified by donor as follows:

	2015	2014
Chess program and student initiative	$ -	$ 20,008
After school activities	73,368	49,698
	$ 73,368	$ 69,706

NOTE 10 - SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through October 15, 2015, the date the financial statements were available to be issued.

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

TEL: (212) 957-3600
FAX: (212) 957-3696

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

TO THE BOARD OF TRUSTEES OF
HARLEM LINK CHARTER SCHOOL

We have audited the financial statements of Harlem Link Charter School as of and for the year ended June 30, 2015, and have issued our report thereon dated October 15, 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.
FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
October 15, 2015

HARLEM LINK CHARTER SCHOOL
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30,

	2015						
	Program Services			Supporting Services			
	Regular Education	Special Education	Total	Management and General	Fundraising	Total	2014
Personnel services costs							
Administrative staff personnel	$ 648,874	$ 114,507	$ 763,381	$ 342,175	$ 102,063	$ 1,207,619	$ 1,150,178
Instructional personnel	1,950,319	399,463	2,349,782	-	-	2,349,782	2,540,033
Total salaries and staff	2,599,193	513,970	3,113,163	342,175	102,063	3,557,401	3,690,211
Fringe benefits and payroll taxes	537,414	106,269	643,683	70,749	21,103	735,535	758,770
Legal services	-	-	-	8,547	-	8,547	8,005
Accounting/audit services	-	-	-	26,001	-	26,001	23,834
Other purchased/professional/consulting services	191,313	37,831	229,144	32,698	-	261,842	194,153
Facility expenses	307	61	368	52	-	420	432
Insurance	31,781	6,284	38,065	4,184	1,248	43,497	36,205
Instructional materials	27,803	4,961	32,764	-	-	32,764	25,316
Classroom and office supplies	36,869	7,291	44,160	6,301	-	50,461	39,038
Non-capitalized equipment/technology	20,296	4,013	24,309	2,672	797	27,778	31,700
Professional development	85,587	16,924	102,511	14,628	-	117,139	90,492
Marketing and recruitment	28,233	5,037	33,270	11,090	-	44,360	47,256
Telephone and internet	9,416	1,862	11,278	1,239	370	12,887	10,788
Staff lunches and team building	31,360	6,201	37,561	4,129	1,231	42,921	38,761
Student services	93,078	16,606	109,684	-	-	109,684	99,341
Postage, printing, and shipping	14,998	2,676	17,674	5,891	-	23,565	23,374
Travel and conference	-	-	-	5,302	-	5,302	2,843
Depreciation and amortization	16,167	3,197	19,364	2,127	635	22,126	27,535
Miscellaneous	-	-	-	21,503	-	21,503	35,153
Total	$ 3,723,815	$ 733,183	$ 4,456,998	$ 559,288	$ 127,447	$ 5,143,733	$ 5,183,207

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

TEL: (212) 957-3600
FAX: (212) 957-3696

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
HARLEM LINK 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 Harlem Link 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 year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 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
HARLEM LINK 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*.

We noted certain matters that we reported to the management of the School in a separate letter dated October 15, 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 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.
FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
October 15, 2015

HARLEM LINK CHARTER SCHOOL

MANAGEMENT LETTER

JUNE 30, 2015

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

TEL: (212) 957-3600
FAX: (212) 957-3696

October 15, 2015

Board of Trustees of
Harlem Link Charter School
20 West 112th Street
New York, NY 10026

In planning and performing our audit of the financial statements of Harlem Link Charter School (the "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 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.

Exhibit I accompanying this letter summarizes observations for the year ended June 30, 2015 that we determined did not constitute a significant deficiency or material weakness. Exhibit II summarizes current year status of prior year's observations. Management's responses to the observations have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, Board of Trustees, federal, state and local awarding agencies, The Department of Education of the City of New York, 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.
FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
October 15, 2015

HARLEM LINK CHARTER SCHOOL
MANAGEMENT LETTER
JUNE 30, 2015

CONTENTS

EXHIBIT I – CURRENT YEAR OBSERVATIONS

A. Capital Assets 1

B. Incomplete Employee Files 1

C. Incomplete Student Files 2

EXHIBIT II – CURRENT YEAR STATUS OF PRIOR YEAR OBSERVATIONS

A. Supporting Documentation and Approval of Credit Card Purchases 3

B. Sales Tax 4

EXHIBIT I – CURRENT YEAR OBSERVATIONS

A. CAPITAL ASSETS

Observation

Although the School maintains a detail listing of property and equipment, the School did not identify, tag and inventory all fixed assets. In addition, there is no clear trail from the manual physical inventory to the fixed asset ledger maintained in the books and records.

Recommendation

All fixed asset acquisitions should be identified, tagged and entered into a detailed fixed asset ledger. Tags should be placed in a visible area and there should be a clear trail of tracing the capital asset to the fixed asset ledger maintained by the School. On an annual basis, the School should take a physical inventory of all capital assets to ensure the completeness and accuracy of the School's records. Fixed asset ledger should contain a clear trail to the inventory listing.

Management's Response

Management has a tracking list of all capital assets with any un-depreciated book value, with a clear trail from the physical inventory to the fixed asset ledger. Management will expand that tracking to include all capital assets, including those with zero book value.

B. INCOMPLETE EMPLOYEE FILES

Observation

We noted the following exceptions during our tests of 10 employee files:

- 1 file could not be located by the School
- 8 files did not contain a W-4 form
- 1 file did not contain an I-9 form
- 1 file did not contain an employee signature on the employment agreement

Recommendation

In an effort to ensure that employee files are complete, we recommend developing a checklist that includes all required documentation. This checklist should be utilized periodically to insure that information is complete and updated for each employee file.

Management's Response

The School does have a checklist for employee files. Management will review all employee files to ensure that all required documents are present.

EXHIBIT I – CURRENT YEAR OBSERVATIONS (CONTINUED)

C. INCOMPLETE STUDENT FILES

Observation

We noted the following exceptions during our tests of 20 student files:

- 2 files did not contain copy of birth certificate
- 2 files did not contain student registration form
- 2 file did not contain application for admission for 2014-2015
- 11 files did not contain home language identification survey
- 2 files did not contain student ethic identification survey
- 2 files did not contain prior school records or a request for records from previous school
- 4 files did not contain proof of residency
- 2 files did not contain student's medical records
- 4 files did not contain photo/media release form

Recommendation

In an effort to ensure that student records are complete, we recommend developing a checklist that includes all required documentation to insure that information is complete and updated for each student file.

Management's Response

The School does have a checklist for student files. Management will periodically review the student files to ensure that all required documents are present, or, if documents are absent, that the attempts of the School to obtain such information are documented.

EXHIBIT II – CURRENT YEAR STATUS OF PRIOR YEAR OBSERVATIONS

In conjunction with performing the audit of the School's financial statements for the year ended June 30, 2015, we followed up on the status of implementation of audit recommendations made for the year ended June 30, 2014. The status update on those matters is summarized below.

A. SUPPORTING DOCUMENTATION AND APPROVAL OF CREDIT CARD PURCHASES

Observation

During our 2014 audit, we reviewed four monthly credit card statements issued to authorized School personnel. We noted that a portion of credit card charges, amounting to approximately 7% of purchases tested, were not adequately supported by receipts, invoices, and evidence of approval. We also noted that credit card charges for the Co-Founders were approved by either the Director of Finance or one of the other Co-Founders.

Recommendation

To strengthen internal controls over disbursements, especially the credit card transactions, it is recommended that appropriate support be provided and maintained for all disbursements. The School should establish a process requiring written evidence of approval of the Co-Founders' credit card charges by a person on the Board of Trustees (e.g. Treasurer or a Finance Committee member).

Current Year Status

During our 2015 audit, we reviewed four monthly credit card statements issued to authorized School personnel. We noted approximately $3,300 of purchases, representing 18% of transactions tested, were not adequately supported by receipts, invoices, and evidence of approval. We continue to note that credit card charges for the Co-Founders were approved by either the Director of Finance or one of the other Co-Founders.

Management's Updated Response

Management has developed a policy to ensure that all credit card purchases by the Co-Founders (who report to the Board) will be approved by a Board member, generally a member of the Finance Committee.

EXHIBIT II – CURRENT YEAR STATUS OF PRIOR YEAR OBSERVATIONS (CONTINUED)

B. SALES TAX

Observation

We noted during our 2014 audit that the School paid sales tax to vendors through the School's credit card. The School is a 501(c)(3) organization that is generally exempt from payment of New York State Sales and Use Tax on its purchases.

Recommendation

We recommend that the Director of Finance review all invoices to ensure that there is no sales tax being charged. The School can claim exemption for sales tax by completing the NYS Form ST-119.2, exemption purchase certificate. Once the School establishes exempt status, it may be entitled to a refund of sales tax previously paid by using NYS Form AU-11 to request a refund of taxes paid.

Current Year Status

During our 2015 audit, we noted that the School continues to pay sales tax to vendors through credit card charges. We noted that the School paid sales tax on approximately $3,600 of credit card purchases.

Management's Updated Response

To date, management has significantly reduced the transactions where sales tax is paid. In addition, management is regularly applying for (and receiving) sales tax refunds in those limited cases where sales tax has been paid. Management will continue to monitor this issue and limit the use of vendors who will not accept the School's sales tax exemption letter. Reimbursements to School staff for expenses incurred on behalf of the School exclude any amounts for sales taxes paid.

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

TEL: (212) 957-3600
FAX: (212) 957-3696

October 15, 2015

To the Audit Committee of the Board of Trustees of
Harlem Link Charter School

We have audited the financial statements of Harlem Link Charter School (the "School") for the year ended June 30, 2015, and have issued our report thereon dated October 15, 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 Harlem Link Charter 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 Harlem Link Charter 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 Harlem Link Charter 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 15, 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.

We have issued a separate report to you dated October 15, 2015, communicating internal control related matters identified during the audit.

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 Harlem Link 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 PC

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