

Transmittal Form
Annual Financial Statement Audit Report
for SUNY Authorized Charter Schools

School Name:	King Center Charter School
Date (Report is due Nov. 1):	November 1, 2014
School Fiscal Contact Name:	Barbara Lindaman
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School Audit Contact Name:	Debra Zevetchin
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School Audit Contact Phone:	716.634.0700
Audit Period:	2013-14
Prior Year:	2012-13

The following items are required to be included:

- .. The independent auditor's report on financial statements and notes.
- .. Excel template file containing the Financial Position, Statement of Activities, Cash Flow and Functional Expenses worksheets.
- .. Reports on internal controls over financial reporting and on compliance.

The additional items listed below should be included if applicable. Please explain the reason(s) if the items are not included. Examples might include: a written management letter was not issued; the school did not expend federal funds in excess of the Single Audit Threshold of \$500,000; the management letter response will be submitted by the following date (should be no later than 30 days from the submission of the report); etc.

Item	If not included, state the reason(s) below (if not applicable fill in N/A):
Management Letter	N/A
Management Letter Response	N/A
Form 990	Extension filed
Federal Single Audit (A-133) ¹	N/A
Corrective Action Plan	N/A

Please also send an ELECTRONIC copy of: 1.) This transmittal form; 2.) Audited Financial Report; and if applicable 3.) Management Letter and Response; 4.) Federal Single Audit (A-133) ONLY to the following offices via email. A copy of the Excel file containing the four schedules Does NOT need to be included.

NYS Education Department Public School Choice Programs 89 Washington Avenue Room 462 EBA Albany, New York 12234 charterschools@mail.nysed.gov	NYS Education Department Office of Audit Services 89 Washington Avenue Room 524 EBA Room 524 EBA Albany, New York 12234 fsanda133@mail.nysed.gov
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¹ A copy of the Federal Single Audit must be filed with the Federal Audit Clearinghouse. Please refer to [OMB Circular A-133](#) for the federal filing requirements.

KING CENTER CHARTER SCHOOL
Financial Statements
June 30, 2014 and 2013
(With Independent Auditors' Report Thereon)

KING CENTER CHARTER SCHOOL

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
King Center Charter School:

Report on the Financial Statements

We have audited the accompanying financial statements of King Center Charter School (the School), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to 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 audits. We conducted our audits 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 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 King Center Charter School as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2014, on our consideration of King Center Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting and 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.

Toski & Co., CPAs, P.C.

Williamsville, New York
October 24, 2014

KING CENTER CHARTER SCHOOL
 Statements of Financial Position
 June 30, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash	\$ 1,533,001	2,011,056
Certificate of deposit	176,448	176,142
Grants and other receivables	56,130	73,929
Prepaid expenses	<u>31,331</u>	<u>57,062</u>
Total current assets	<u>1,796,910</u>	<u>2,318,189</u>
Property and equipment, at cost	2,371,581	1,946,715
Less accumulated depreciation	<u>(789,428)</u>	<u>(655,133)</u>
Net property and equipment	<u>1,582,153</u>	<u>1,291,582</u>
Deferred loan fees	1,750	1,750
Less accumulated amortization	<u>(1,313)</u>	<u>(963)</u>
Net deferred loan fees	<u>437</u>	<u>787</u>
Total assets	<u>\$ 3,379,500</u>	<u>3,610,558</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	85,211	49,434
Accrued expenses:		
Payroll and payroll taxes	121,138	110,678
Pension	<u>314,411</u>	<u>200,004</u>
Total accrued expenses	<u>435,549</u>	<u>310,682</u>
Deferred revenue	188,451	1,191,646
Current portion of note payable	<u>70,000</u>	<u>70,000</u>
Total current liabilities	779,211	1,621,762
Note payable, net of current portion	<u>35,000</u>	<u>105,000</u>
Total liabilities	<u>814,211</u>	<u>1,726,762</u>
Net assets:		
Unrestricted net assets	2,563,366	1,883,796
Temporarily restricted net assets	<u>1,923</u>	<u>-</u>
Total net assets	<u>2,565,289</u>	<u>1,883,796</u>
Contingency (note 9)		
Total liabilities and net assets	<u>\$ 3,379,500</u>	<u>3,610,558</u>

See accompanying notes to financial statements.

KING CENTER CHARTER SCHOOL
 Statements of Activities
 Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Unrestricted revenue:		
Public school districts:		
Resident student enrollment	\$ 3,700,865	3,101,078
Students with disabilities	183,400	129,285
State aid	29,078	30,718
Contributions	536	15,685
Interest income	2,207	5,370
Other income	21,577	13,898
Net assets released from restrictions	<u>2,140,215</u>	<u>1,431,359</u>
Total unrestricted revenue	<u>6,077,878</u>	<u>4,727,393</u>
Unrestricted expenses:		
Program services:		
Regular education	2,392,545	1,973,739
Special education	175,170	136,645
Other programs	<u>574,897</u>	<u>53,768</u>
Total program services	3,142,612	2,164,152
Management and general	<u>979,020</u>	<u>956,888</u>
Total unrestricted expenses	<u>4,121,632</u>	<u>3,121,040</u>
Other expenses:		
Grants made to other organizations	(1,271,700)	(1,411,217)
Loss on abandonment of leasehold improvements	<u>(4,976)</u>	<u>-</u>
Total other expenses	<u>(1,276,676)</u>	<u>(1,411,217)</u>
Change in unrestricted net assets	<u>679,570</u>	<u>195,136</u>
Changes in temporarily restricted net assets:		
Federal and State grants	185,985	164,600
Local grants	1,948,510	1,265,456
Restricted contributions	7,643	1,245
Net assets released from restrictions	<u>(2,140,215)</u>	<u>(1,431,359)</u>
Change in temporarily restricted net assets	<u>1,923</u>	<u>(58)</u>
Increase in net assets	681,493	195,078
Net assets at beginning of year	<u>1,883,796</u>	<u>1,688,718</u>
Net assets at end of year	<u>\$ 2,565,289</u>	<u>1,883,796</u>

See accompanying notes to financial statements.

KING CENTER CHARTER SCHOOL
Statement of Functional Expenses
Years ended June 30, 2014 and 2013

	Program Services				Management and general	Total	
	Regular education	Special education	Other programs	Total		2014	2013
Salaries	\$ 1,260,722	120,112	48,348	1,429,182	594,136	2,023,318	1,694,591
Payroll taxes	113,395	10,800	3,600	127,795	52,198	179,993	150,708
Employee benefits	300,049	28,576	9,525	338,150	138,118	476,268	314,179
Instructional consultants	94,800	-	-	94,800	-	94,800	80,274
Instructional materials	27,302	-	-	27,302	-	27,302	88,721
Classroom supplies	21,644	-	-	21,644	-	21,644	17,764
Field trips	14,037	-	-	14,037	-	14,037	12,496
Transportation	26,675	-	-	26,675	-	26,675	17,643
Student activities	17,225	-	-	17,225	-	17,225	7,030
Student testing and assessment	24,020	-	-	24,020	-	24,020	20,195
Special education services	40,914	-	-	40,914	-	40,914	75,923
Technology	11,700	-	-	11,700	-	11,700	21,653
Conferences	2,874	-	5	2,879	-	2,879	1,519
Staff development	8,765	-	-	8,765	-	8,765	12,680
Dues and subscriptions	4,016	-	-	4,016	-	4,016	4,080
Rent	111,775	10,645	3,548	125,968	51,452	177,420	176,536
Utilities	16,748	1,595	532	18,875	7,709	26,584	25,233
Insurance	36,137	3,442	1,147	40,726	16,634	57,360	50,743
Office supplies	-	-	-	-	10,011	10,011	7,048
Telephone	23,955	-	43	23,998	-	23,998	22,825
Postage	1,427	-	-	1,427	-	1,427	1,279
Printing and promotion	27,183	-	-	27,183	-	27,183	3,239
Equipment repair and maintenance	50,102	-	-	50,102	-	50,102	47,078
Contractual services	18,391	-	-	18,391	-	18,391	16,452
Professional fees	-	-	502,031	502,031	68,940	570,971	77,216
Events	-	-	-	-	5,874	5,874	5,130
Miscellaneous	14,475	-	6	14,481	6,241	20,722	14,528
Depreciation	117,528	-	6,112	123,640	27,357	150,997	143,932
Amortization	-	-	-	-	350	350	350
Interest expense	6,686	-	-	6,686	-	6,686	9,995
Total unrestricted expenses	<u>\$ 2,392,545</u>	<u>175,170</u>	<u>574,897</u>	<u>3,142,612</u>	<u>979,020</u>	<u>4,121,632</u>	<u>3,121,040</u>

See accompanying notes to financial statements.

KING CENTER CHARTER SCHOOL
Statement of Functional Expenses
Year ended June 30, 2013

	<u>Program Services</u>				<u>Management and general</u>	<u>Total</u>
	<u>Regular education</u>	<u>Special education</u>	<u>Other programs</u>	<u>Total</u>		
Salaries	\$ 990,806	92,874	36,329	1,120,009	574,582	1,694,591
Payroll taxes	88,918	7,535	3,014	99,467	51,241	150,708
Employee benefits	185,365	15,709	6,284	207,358	106,821	314,179
Instructional consultants	80,274	-	-	80,274	-	80,274
Instructional materials	88,721	-	-	88,721	-	88,721
Classroom supplies	17,764	-	-	17,764	-	17,764
Field trips	12,496	-	-	12,496	-	12,496
Transportation	17,643	-	-	17,643	-	17,643
Student activities	7,030	-	-	7,030	-	7,030
Student testing and assessment	20,195	-	-	20,195	-	20,195
Special education services	75,923	-	-	75,923	-	75,923
Technology	21,653	-	-	21,653	-	21,653
Conferences	1,519	-	-	1,519	-	1,519
Staff development	12,680	-	-	12,680	-	12,680
Dues and subscriptions	4,080	-	-	4,080	-	4,080
Rent	104,156	8,827	3,531	116,514	60,022	176,536
Utilities	14,887	1,262	505	16,654	8,579	25,233
Insurance	29,938	2,537	1,015	33,490	17,253	50,743
Office supplies	-	-	-	-	7,048	7,048
Telephone	22,825	-	-	22,825	-	22,825
Postage	1,279	-	-	1,279	-	1,279
Printing and promotion	3,239	-	-	3,239	-	3,239
Equipment repair and maintenance	47,078	-	-	47,078	-	47,078
Contractual services	16,452	-	-	16,452	-	16,452
Professional fees	-	-	-	-	77,216	77,216
Events	-	-	-	-	5,130	5,130
Miscellaneous	14,528	-	-	14,528	-	14,528
Depreciation	84,090	7,882	3,083	95,055	48,877	143,932
Amortization	205	19	7	231	119	350
Interest expense	9,995	-	-	9,995	-	9,995
Total unrestricted expenses	<u>\$ 1,973,739</u>	<u>136,645</u>	<u>53,768</u>	<u>2,164,152</u>	<u>956,888</u>	<u>3,121,040</u>

See accompanying notes to financial statements.

KING CENTER CHARTER SCHOOL
Statements of Cash Flows
Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Increase in net assets	\$ 681,493	195,078
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	150,997	143,932
Amortization	350	350
Loss on abandonment of leasehold improvements	4,976	-
Changes in:		
Grants and other receivables	17,799	11,475
Prepaid expenses	25,731	6,410
Accounts payable	35,777	(56,598)
Accrued expenses	124,867	46,612
Deferred revenue	<u>(1,003,195)</u>	<u>1,191,646</u>
Net cash provided by operating activities	<u>38,795</u>	<u>1,538,905</u>
Cash flows from investing activities:		
Additions to property and equipment	(446,544)	(350,666)
Purchase of certificate of deposit	(176,448)	(176,142)
Redemption of certificate of deposit	<u>176,142</u>	<u>175,000</u>
Net cash used in investing activities	<u>(446,850)</u>	<u>(351,808)</u>
Cash flows from financing activities - principal payments on notes payable	<u>(70,000)</u>	<u>(70,000)</u>
Net increase (decrease) in cash	(478,055)	1,117,097
Cash at beginning of year	<u>2,011,056</u>	<u>893,959</u>
Cash at end of year	<u>\$ 1,533,001</u>	<u>2,011,056</u>
Supplemental schedule of cash flow information - cash paid during the year for interest	<u>\$ 6,686</u>	<u>9,995</u>

See accompanying notes to financial statements.

KING CENTER CHARTER SCHOOL.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

King Center Charter School (the School) was chartered by the Board of Regents of the University at the State of New York (the State) on February 1, 2000 for a term of five years pursuant to Article 56 of the New York State Education Law. On February 8, 2013, the State extended the School's Charter through July 31, 2018.

Charter schools receive state and federal public-school funding and must meet all the same state and federal testing and learning requirements as public schools, yet they operate independently of the local school district, serving as their own local education agency.

The School is governed by a twelve member, uncompensated Board of Directors and has 311 students in kindergarten through seventh grade. The school offers additional opportunities for enrichment activity including after-school and summer programs.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) Basis of Presentation

The 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. The School does not have any permanently restricted net assets. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and may be used for any purpose designated by the School's Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School and/or the passage of time.

(d) Estimates

The preparation of accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(e) Cash

For purposes of the statements of cash flows, the School considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

KING CENTER CHARTER SCHOOL
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Concentration of Credit Risk

Financial instruments that potentially subject the School to concentration of credit risk consist principally of cash and certificate of deposit accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

(g) Grants and Other Receivables

Grants and other receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

(h) Capitalization and Depreciation

Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of equipment are recorded as unrestricted support. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities. Generally, equipment which has a cost in excess of \$500 at the date of acquisition and has an expected useful life of five years is capitalized.

(i) Public School District Revenue

The School receives per pupil aid which is passed through the Buffalo Public School District. New York State Education Department mandates the rate per pupil. For the years ended June 30, 2014 and 2013, the per pupil rate was \$12,005.

(j) Deferred Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the statements of financial position as deferred revenue.

(k) Donated Equipment, Materials, Supplies and Personal Services

Donated equipment, materials and supplies are reflected in the financial statements based on the fair market value at the time of donation.

Donated personal services meeting the requirements for recognition in the financial statements were not material and have not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the School.

KING CENTER CHARTER SCHOOL
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the School. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(m) Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(n) Subsequent Events

Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(o) Income Taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, no provision for income taxes is reflected in the financial statements. Management believes there are no uncertain tax positions that require adjustment or disclosure in the financial statements. The School is no longer subject to examination by taxing authorities for the years prior to 2010.

(2) Property and Equipment

Property and equipment are recorded at cost. A summary of property and equipment at June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 2,276	2,276
Leasehold and land improvements	1,557,019	1,571,150
Office equipment	59,679	44,251
Instructional equipment	351,858	300,196
Maintenance equipment	1,499	-
Construction in progress	373,208	2,800
Vehicles	<u>26,042</u>	<u>26,042</u>
	2,371,581	1,946,715
Less accumulated depreciation	<u>(789,428)</u>	<u>(655,133)</u>
Net property and equipment	\$ <u>1,582,153</u>	<u>1,291,582</u>

KING CENTER CHARTER SCHOOL
Notes to Financial Statements, Continued

(3) Certificate of Deposit

At June 30, 2014, the Organization holds a certificate of deposit at M&T Bank amounting to \$176,448, with interest at 0.10%, maturing on September 14, 2014. At June 30, 2013, the Organization held a certificate of deposit at M&T Bank amounting to \$176,142, with interest at 0.10%, maturing on September 14, 2013.

Fair Value Measurements

A framework has been established 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). Level 1 assets and liabilities are those whose inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. Investments held by the Organization are classified as level 1 in the fair value hierarchy.

(4) Line of Credit

The School has a \$200,000 line of credit with a local bank with interest payable at 1% above the bank's prime rate (4.25% at June 30, 2014). This is a demand note and substantially all of the School's assets are secured under the loan. At June 30, 2014 and 2013, there was no balance on the line.

(5) Note Payable

Note payable consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
\$350,000 term note due in monthly payments of \$5,833, plus interest currently at 4.25%, maturing December 2015, secured by a certificate of deposit in the amount of \$175,000 and guaranteed by King Urban Life Center, Inc.	\$ 105,000	175,000
Less current portion	<u>(70,000)</u>	<u>(70,000)</u>
Note payable, net of current portion	\$ <u>35,000</u>	<u>105,000</u>

Maturities of note payable for the years following June 30, 2014, are as follows:

2015	\$ 70,000
2016	<u>35,000</u>
	\$ <u>105,000</u>

KING CENTER CHARTER SCHOOL
Notes to Financial Statements, Continued

(6) Related Party Transactions

There are two Directors of the King Urban Life Center, Inc. (a nonprofit organization) (the Center) who also serve on the Board of Directors of the School. The School rents space for instruction from the Center.

The School entered into a lease agreement with the Center to lease two facilities, one at 30 Rich Street and one at 938 Genesee Street. Rent expense for the years ended June 30, 2014 and 2013 amounted to \$177,420 and \$176,536, respectively. The initial lease for 938 Genesee Street was for a term of one year and is automatically renewable unless terminated by either party. The School terminated the lease at 938 Genesee Street on June 30, 2014.

The School had prepaid rent to the Center of \$16,159 and \$44,896 at June 30, 2014 and 2013, respectively, for 30 Rich Street.

(7) Pension Plan

The School participates in the New York State Teachers' Retirement System (NYSTRS), which is a cost-sharing multiple employer, public employees retirement system. NYSTRS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

NYSTRS is administered by the New York State Teachers' Retirement Board and provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

NYSTRS is noncontributory, except for employees who joined the System after July 27, 1976 and prior to January 1, 2010, who contribute 3% of their salary, except that employees in NYSTRS more than ten years are no longer required to contribute. Those joining NYSTRS on or after January 1, 2010 are required to contribute 3.5% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The School is required to contribute at an actuarially determined rate. The rates for NYSTRS were 16.25% and 11.84% of the annual covered payroll as of June 30, 2014 and 2013, respectively. Required annual contributions of \$259,800 and \$157,074 were paid to NYSTRS by the School for the years ended June 30, 2014 and 2013, respectively.

KING CENTER CHARTER SCHOOL
Notes to Financial Statements, Continued

(8) Building Lease

Lease terms between the School and the Center for rental of a building from the Center were approved by the Board of Directors in October 2009 and included the School prepaying rent in the amount of \$75,000 for the first five year term. Any improvements are the responsibility of the School. The School is also responsible for utilities, upkeep, and maintenance of the property.

(9) Contingency

The School has received grants which are subject to audit by agencies of the state and federal government. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the School's administration believes that disallowances, if any will be immaterial.

(10) Expansion Plan

The School has an expansion plan to increase student population whereby they will add additional students every year until 2018, adding seventh and eighth grades. Each year students will be added until a student population of 432 is reached in fiscal year ending June 30, 2018.

In June 2014, the School signed an agreement to purchase former School 71 located at 156 Newburgh Avenue in Buffalo, New York for a price of \$330,000. The School was approved for a State Charter Schools Institute Grant in the amount of \$200,000 to assist with the purchase of the building.

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

The Board of Directors
King Center 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 King Center Charter School (the School), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated October 24, 2014.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether King Center Charter 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 statements 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2014-1.

King Center Charter School's Response to Finding

King Center Charter School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. King Center Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Toski & Co., CPAs, P.C.

Williamsville, New York
October 24, 2014

KING CENTER CHARTER SCHOOL
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

2014-1 Student Files

Condition - Compliance testing included a review of 45 student files. One instance of noncompliance was noted in the 45 files tested in 2014. One student file was missing the enrollment form.

Criteria - New York State Education Department (NYSED) regulations require that student files be properly maintained.

Effect - The student file was not being maintained in accordance with NYSED regulations.

Cause - The School personnel did not follow correct procedures or due care in maintaining a student record.

Recommendation - Management should take greater care to ensure that employees understand proper procedures and apply them consistently.

Management's Reply - Management will correct the noted deficiency and continue procedures to monitor student files for compliance with NYSED regulations. Management will continue to serve its mission by providing educational services to the children as it works with parents to ensure compliance.

KING CENTER CHARTER SCHOOL
Status of Prior Year Audit Findings
Year ended June 30, 2014

2013-1 Student Files

Condition - Compliance testing included a review of 28 student files. One instance of noncompliance was noted in the 28 files tested in 2013. One student file, including the student's enrollment form, could not be located.

Status - Management has corrected the noted deficiency, however an issue regarding a student file remains in 2014 as noted by finding 2014-1 on page 16.