

KING CENTER CHARTER SCHOOL  
Financial Statements  
June 30, 2013 and 2012  
(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, 2013 and 2012, 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 audits 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, 2013 and 2012, 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 16, 2013, 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 16, 2013

KING CENTER CHARTER SCHOOL  
Statements of Financial Position  
June 30, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash	\$ 2,011,056	893,959
Certificate of deposit	176,142	175,000
Grants and other receivables	73,929	85,404
Prepaid expenses	<u>57,062</u>	<u>63,472</u>
Total current assets	<u>2,318,189</u>	<u>1,217,835</u>
Property and equipment, at cost	1,946,715	1,596,049
Less accumulated depreciation	<u>(655,133)</u>	<u>(511,201)</u>
Net property and equipment	<u>1,291,582</u>	<u>1,084,848</u>
Deferred loan fees	1,750	1,750
Less accumulated amortization	<u>(963)</u>	<u>(613)</u>
Net deferred loan fees	<u>787</u>	<u>1,137</u>
Total assets	<u>\$ 3,610,558</u>	<u>2,303,820</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	49,434	106,032
Accrued expenses:		
Payroll and payroll taxes	110,678	104,777
Pension	<u>200,004</u>	<u>159,293</u>
Total accrued expenses	<u>310,682</u>	<u>264,070</u>
Deferred revenue	1,191,646	-
Current portion of notes payable	<u>70,000</u>	<u>70,000</u>
Total current liabilities	1,621,762	440,102
Notes payable, net of current portion	<u>105,000</u>	<u>175,000</u>
Total liabilities	<u>1,726,762</u>	<u>615,102</u>
Net assets:		
Unrestricted net assets	1,883,796	1,688,660
Temporarily restricted net assets	<u>-</u>	<u>58</u>
Total net assets	<u>1,883,796</u>	<u>1,688,718</u>
Contingency (note 8)		
Total liabilities and net assets	<u>\$ 3,610,558</u>	<u>2,303,820</u>

See accompanying notes to financial statements.

KING CENTER CHARTER SCHOOL  
Statements of Activities  
Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted revenue:		
Public school districts:		
Resident student enrollment	\$ 3,101,078	2,840,882
Students with disabilities	129,285	133,336
State aid	30,718	30,705
Contributions	15,685	10,248
Interest income	5,370	736
Other income	13,898	26,596
Net assets released from restrictions	<u>1,431,359</u>	<u>139,023</u>
Total unrestricted revenue	<u>4,727,393</u>	<u>3,181,526</u>
Unrestricted expenses:		
Program services:		
Regular education	1,973,739	1,842,136
Special education	136,645	123,989
Other programs	<u>53,768</u>	<u>46,106</u>
Total program services	2,164,152	2,012,231
Management and general	<u>956,888</u>	<u>613,459</u>
Total unrestricted expenses	<u>3,121,040</u>	<u>2,625,690</u>
Other income (expense):		
Loss from abandonment of leasehold improvements	-	(72,134)
Grants made to other organizations	<u>(1,411,217)</u>	<u>-</u>
Change in unrestricted net assets	<u>195,136</u>	<u>483,702</u>
Changes in temporarily restricted net assets:		
Federal and State grants	165,845	139,081
Local grants	1,265,456	-
Net assets released from restrictions	<u>(1,431,359)</u>	<u>(139,023)</u>
Change in temporarily restricted net assets	<u>(58)</u>	<u>58</u>
Increase in net assets	195,078	483,760
Net assets at beginning of year	<u>1,688,718</u>	<u>1,204,958</u>
Net assets at end of year	<u>\$ 1,883,796</u>	<u>1,688,718</u>

See accompanying notes to financial statements.

KING CENTER CHARTER SCHOOL  
 Statements of Functional Expenses  
 Years ended June 30, 2013 and 2012

	Program Services			Management and general	Total	
	Regular education	Special education	Other programs		2013	2012
Salaries	\$ 990,806	92,874	36,329	574,582	1,694,591	1,378,075
Payroll taxes	88,918	7,535	3,014	51,241	150,708	119,502
Employee benefits	185,365	15,709	6,284	106,821	314,179	234,878
Instructional consultants	80,274	-	-	-	80,274	82,400
Instructional materials	88,721	-	-	-	88,721	35,990
Classroom supplies	17,764	-	-	-	17,764	15,914
Field trips	12,496	-	-	-	12,496	6,754
Transportation	17,643	-	-	-	17,643	23,766
Student activities	7,030	-	-	-	7,030	5,561
Student testing and assessment	20,195	-	-	-	20,195	8,745
Special education services	75,923	-	-	-	75,923	133,340
Technology	21,653	-	-	-	21,653	18,088
Conferences	1,519	-	-	-	1,519	3,015
Staff development	12,680	-	-	-	12,680	7,778
Dues and subscriptions	4,080	-	-	-	4,080	3,741
Rent	104,156	8,827	3,531	60,022	176,536	169,413
Utilities	14,887	1,262	505	8,579	25,233	29,244
Insurance	29,938	2,537	1,015	17,253	50,743	36,074
Office supplies	-	-	-	7,048	7,048	5,223
Telephone	22,825	-	-	-	22,825	16,702
Postage	1,279	-	-	-	1,279	1,371
Printing and promotion	3,239	-	-	-	3,239	4,287
Equipment repair and maintenance	47,078	-	-	-	47,078	60,611
Contractual services	16,452	-	-	-	16,452	10,472
Professional fees	-	-	-	77,216	77,216	63,338
Events	-	-	-	5,130	5,130	3,005
Miscellaneous	14,528	-	-	-	14,528	16,055
Depreciation	84,090	7,882	3,083	48,877	143,932	119,132
Amortization	205	19	7	119	350	350
Interest expense	9,995	-	-	-	9,995	12,866
<b>Total expenses</b>	<b>\$ 1,973,739</b>	<b>136,645</b>	<b>53,768</b>	<b>956,888</b>	<b>3,121,040</b>	<b>2,625,690</b>

See accompanying notes to financial statements.

KING CENTER CHARTER SCHOOL  
Statement of Functional Expenses  
Year ended June 30, 2012

	Program Services				Management and general	Total
	Regular education	Special education	Other programs	Total		
Salaries	\$ 907,009	81,473	31,933	1,020,415	357,660	1,378,075
Payroll taxes	78,871	7,170	2,390	88,431	31,071	119,502
Employee benefits	155,019	14,093	4,698	173,810	61,068	234,878
Instructional consultants	82,400	-	-	82,400	-	82,400
Instructional materials	35,990	-	-	35,990	-	35,990
Classroom supplies	15,914	-	-	15,914	-	15,914
Field trips	6,754	-	-	6,754	-	6,754
Transportation	23,766	-	-	23,766	-	23,766
Student activities	5,561	-	-	5,561	-	5,561
Student testing and assessment	8,745	-	-	8,745	-	8,745
Special education services	133,340	-	-	133,340	-	133,340
Technology	18,088	-	-	18,088	-	18,088
Conferences	3,015	-	-	3,015	-	3,015
Staff development	7,778	-	-	7,778	-	7,778
Dues and subscriptions	3,741	-	-	3,741	-	3,741
Rent	111,813	10,165	3,388	125,366	44,047	169,413
Utilities	19,301	1,755	585	21,641	7,603	29,244
Insurance	23,809	2,164	722	26,695	9,379	36,074
Office supplies	-	-	-	-	5,223	5,223
Telephone	16,702	-	-	16,702	-	16,702
Postage	1,371	-	-	1,371	-	1,371
Printing and promotion	4,287	-	-	4,287	-	4,287
Equipment repair and maintenance	60,611	-	-	60,611	-	60,611
Contractual services	10,472	-	-	10,472	-	10,472
Professional fees	-	-	-	-	63,338	63,338
Events	-	-	-	-	3,005	3,005
Miscellaneous	16,055	-	-	16,055	-	16,055
Depreciation	78,627	7,148	2,383	88,158	30,974	119,132
Amortization	231	21	7	259	91	350
Interest expense	12,866	-	-	12,866	-	12,866
<b>Total expenses</b>	<b>\$ 1,842,136</b>	<b>123,989</b>	<b>46,106</b>	<b>2,012,231</b>	<b>613,459</b>	<b>2,625,690</b>

See accompanying notes to financial statements.



KING CENTER CHARTER SCHOOL  
 Statements of Cash Flows  
 Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase in net assets	\$ 195,078	483,760
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	143,932	119,132
Amortization	350	350
Loss from abandonment of leasehold improvements	-	72,134
Changes in:		
Grants and other receivables	11,475	(48,810)
Prepaid expenses	6,410	19,140
Accounts payable	(56,598)	1,418
Accrued expenses	46,612	79,061
Deferred revenue	<u>1,191,646</u>	<u>(882)</u>
Net cash provided by operating activities	<u>1,538,905</u>	<u>725,303</u>
Cash flows from investing activities:		
Additions to property and equipment	(350,666)	(374,875)
Purchase of certificate of deposit	(176,142)	-
Redemption of certificate of deposit	<u>175,000</u>	<u>-</u>
Net cash used in investing activities	<u>(351,808)</u>	<u>(374,875)</u>
Cash flows from financing activities - principal payments on notes payable	<u>(70,000)</u>	<u>(70,000)</u>
Net increase in cash	1,117,097	280,428
Cash at beginning of year	<u>893,959</u>	<u>613,531</u>
Cash at end of year	<u>\$ 2,011,056</u>	<u>893,959</u>
Supplemental schedule of cash flow information - cash paid during the year for interest	<u>\$ 9,995</u>	<u>12,866</u>

See accompanying notes to financial statements.

## KING CENTER CHARTER SCHOOL

### Notes to Financial Statements

June 30, 2013 and 2012

#### (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 259 students in kindergarten through sixth 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 Receivable

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, 2013 and 2012, 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

The School has evaluated events after June 30, 2013, and through October 16, 2013, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(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 2009.

(2) Property and Equipment

Property and equipment are recorded at cost. A summary of property and equipment at June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 2,276	950
Leasehold and land improvements	1,573,950	1,246,273
Office equipment	44,251	43,282
Instructional equipment	300,196	279,502
Vehicles	<u>26,042</u>	<u>26,042</u>
	1,946,715	1,596,049
Less accumulated depreciation	<u>(655,133)</u>	<u>(511,201)</u>
Net property and equipment	\$ <u>1,291,582</u>	<u>1,084,848</u>

KING CENTER CHARTER SCHOOL  
Notes to Financial Statements, Continued

(2) Property and Equipment, Continued

During the year ended June 30, 2012, the Board of Directors passed resolutions deeming land and buildings known as Knox Tavern and Slaughter House as having no realizable value. These have been written down to zero resulting in a loss of \$72,134 on abandonment of leasehold improvements.

(3) 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, 2013). This is a demand note and substantially all of the School's assets are secured under the loan. At June 30, 2013 and 2012, there was no balance on the line.

(4) Notes Payable

Notes payable consisted of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</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.	\$ 175,000	245,000
Less current portion	<u>(70,000)</u>	<u>(70,000)</u>
Notes payable, net of current portion	\$ <u>105,000</u>	<u>175,000</u>
Maturities of notes payable for the years following June 30, 2013, are as follows:		
2014	\$ 70,000	
2015	70,000	
2016	<u>35,000</u>	
	\$ <u>175,000</u>	

(5) Related Party Transactions

The School and King Urban Life Center, Inc. (a nonprofit organization) (the Center) are affiliated with each other by means of overlapping Boards of Directors. Two of the School's twelve directors are persons who are also on the Board of Directors of the Center. The Center provided extensive support with the organizational application for the establishment of the School and it will also sponsor various programs that the students of the School will be eligible to participate in.

KING CENTER CHARTER SCHOOL  
Notes to Financial Statements, Continued

(5) Related Party Transactions, Continued

The School entered into a lease agreement with the Center to lease facilities. Rent expense for the years ended June 30, 2013 and 2012 amounted to \$176,536 and \$169,413, respectively. The initial lease was for a term of one year and is automatically renewable unless terminated by either party.

The School had prepaid rent to the Center of \$44,896 and \$58,708 at June 30, 2013 and 2012, respectively.

(6) 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 11.84% and 11.11% of the annual covered payroll as of June 30, 2013 and 2012, respectively. Required annual contributions of \$157,074 and \$120,971 were paid to NYSTRS by the School for the years ended June 30, 2013 and 2012, respectively.

(7) Expansion Plan and Building Lease

The School has an expansion plan to increase student population whereby they will add additional students every year in addition to 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.

KING CENTER CHARTER SCHOOL  
Notes to Financial Statements, Continued

(7) Expansion Plan and Building Lease, Continued

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.

(8) 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.

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, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2013.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 2013-1.

## 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 16, 2013

KING CENTER CHARTER SCHOOL  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013

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.

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

Effect - Student files are not being maintained in accordance with NYSED regulations.

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

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 establish new procedures to monitor student files for compliance with NYSED regulations.

KING CENTER CHARTER SCHOOL  
Status of Prior Audit Findings  
Year ended June 30, 2013

There were no audit findings with regard to the prior year financial statements (June 30, 2012).



King Center Charter School  
Corrective Action Plan  
June 30, 2013

**Finding:**

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.

**Response:**

We concur with the finding. The School will take steps to correct the noted deficiency. We have already developed new procedures and these procedures are put in place in order to track each and every student file to ensure compliance with NYSED regulations.