

**BEGINNING WITH CHILDREN  
CHARTER SCHOOL 2  
FINANCIAL STATEMENTS  
PERIOD FROM SEPTEMBER 13, 2011 (INCEPTION)  
TO JUNE 30, 2013**

**BEGINNING WITH CHILDREN CHARTER SCHOOL 2  
FOR THE PERIOD FROM SEPTEMBER 13, 2011 (INCEPTION) TO JUNE 30, 2013**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Beginning with Children Charter School 2

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

We have audited the accompanying financial statements of Beginning with Children Charter School 2 (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and change in net assets, functional expenses, and cash flows for the period from September 13, 2011 (inception) to June 30, 2013 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.

### ***Auditors' 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beginning with Children Charter School 2 as of June 30, 2013, and the changes in its net assets and its cash flows for the period from September 13, 2011 (inception) to June 30, 2013, in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2013, 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.

New York, New York  
October 25, 2013

*Citrin Cooperman & Company, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

**BEGINNING WITH CHILDREN CHARTER SCHOOL 2**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2013**

**ASSETS**

Cash and cash equivalents	\$ 244,886
Grants receivable	203,493
Property and equipment, net of accumulated depreciation of \$10,391	<u>67,995</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 516,374</u></b>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable and accrued expenses	\$ 124,923
Due to Beginning with Children Foundation	<u>142,446</u>
Total liabilities	267,369
Contingencies (Note 7)	
Net assets	<u>249,005</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 516,374</u></b>

See accompanying notes to financial statements.

**BEGINNING WITH CHILDREN CHARTER SCHOOL 2  
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE PERIOD FROM SEPTEMBER 13, 2011 (INCEPTION) TO JUNE 30, 2013**

Operating revenue:	
State and local per pupil operating revenue	\$ 1,444,315
Government grants	<u>779,927</u>
Total operating revenue	<u>2,224,242</u>
Operating expenses:	
Program services	1,699,628
Management and general	256,761
Development	<u>20,322</u>
Total operating expenses	<u>1,976,711</u>
Surplus on government-funded school operations	<u>247,531</u>
Other revenue:	
Contributions and grants - private	950
Investment earnings	<u>524</u>
Total other revenue	<u>1,474</u>
Change in net assets	249,005
Net assets:	
Beginning	<u>-</u>
Ending	<u>\$ 249,005</u>

See accompanying notes to financial statements.

**BEGINNING WITH CHILDREN CHARTER SCHOOL 2**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE PERIOD FROM SEPTEMBER 13, 2011 (INCEPTION) TO JUNE 30, 2013**

	<u>Program Services</u>	<u>Management and General</u>	<u>Development</u>	<u>Total</u>
Personnel services	\$ 773,549	\$ 129,429	\$ -	\$ 902,978
Payroll taxes and employee benefits	144,302	24,144	-	168,446
Occupancy	33,877	9,114	-	42,991
Classroom instructional material and supplies	165,556	-	-	165,556
Textbooks and library books	19,375	-	-	19,375
Curriculum supplies	107,968	-	-	107,968
Trips and admissions	2,631	-	-	2,631
Research and evaluation	13,686	-	-	13,686
Staff development	142,862	-	-	142,862
Outreach	31,104	2,160	-	33,264
Consultants	45,240	3,508	-	48,748
Employee search fees	1,270	-	-	1,270
Management fee	142,251	40,643	20,322	203,216
Accounting and legal fees	-	5,825	-	5,825
Office and technology supplies	60,909	26,172	-	87,081
Telephone	-	10,535	-	10,535
Miscellaneous expenses	4,657	5,231	-	9,888
Depreciation	<u>10,391</u>	<u>-</u>	<u>-</u>	<u>10,391</u>
TOTAL	<u>\$ 1,699,628</u>	<u>\$ 256,761</u>	<u>\$ 20,322</u>	<u>\$ 1,976,711</u>

See accompanying notes to financial statements.

**BEGINNING WITH CHILDREN CHARTER SCHOOL 2  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM SEPTEMBER 13, 2011 (INCEPTION) TO JUNE 30, 2013**

Operating activities:	
Change in net assets	\$ 249,005
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	10,391
Changes in assets and liabilities:	
Grants receivable	(203,493)
Accounts payable and accrued expenses	108,886
Due to Beginning with Children Foundation	<u>142,446</u>
Net cash provided by operating activities	307,235
Cash used in investing activities:	
Purchase of property and equipment	<u>(62,349)</u>
Net increase in cash and cash equivalents	244,886
Cash and cash equivalents - beginning	<u>-</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 244,886</u>
Supplemental disclosure of cash flow information:	
Equipment purchase included in accounts payable and accrued expense	<u>\$ 16,037</u>

See accompanying notes to financial statements.



**BEGINNING WITH CHILDREN CHARTER SCHOOL 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

Principal Business Activity

Beginning with Children Charter School 2 (the "School") is an education corporation that operates as a charter school in the borough of Brooklyn, New York. On September 13, 2011, the Board of Regents of the University of the State of New York for and on behalf of the New York State Education Department granted the School a provisional charter valid for a term of five years from the effective date of September 13, 2011, and renewable upon expiration. The School was converted from an existing New York City Department of Education (the "NYCDOE") school. On September 6, 2012 the School commenced its first year of operations.

The School's mission is to provide for a nurturing community that fosters a love of learning and the development of character for students in grades K-8. The School's students achieve academic excellence and are prepared to succeed in top performing high schools and colleges. The School's students develop and use G.R.I.T. (Good Judgment, Resilience, Integrity, and Teamwork) for personal and community improvement.

The NYCDOE provides free and reduced-price lunches and transportation directly to a majority of the School's students.

In accordance with the agreement to convert the School from the existing NYCDOE school, the employees of the School are members of various unions.

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

Basis of Financial Statements

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

**BEGINNING WITH CHILDREN CHARTER SCHOOL 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

Contributions

The financial statements of the School reflect contributions received from the public and other organizations. Contributions, including unconditional promises to give, are recognized in the statement of activities and change in net assets as revenue in the period in which they are received.

The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities and change in net assets as "Net assets released from restriction." Amounts received with donor stipulations that limit their use to certain purposes are reported as unrestricted support if the stipulated purpose restriction is accomplished in the same year.

Grants and Refundable Advances

Revenue from the state and local governments resulting from the School's charter status, which is based on the number of students enrolled, is recorded when services are performed in accordance with the charter agreement. Revenue from federal, state and local government grants and contracts is recognized as revenue when qualifying expenditures are incurred. Amounts received in excess of expenditures incurred are recognized as refundable advances.

Contributed Services

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

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

Property and Equipment

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

Net Assets

Unrestricted net assets are assets that are not restricted by donors or for which donor-imposed restrictions have expired. At June 30, 2013, the School had no temporarily or permanently restricted net assets.

**BEGINNING WITH CHILDREN CHARTER SCHOOL 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

Functional Allocation of Expenses

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

Income Taxes

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

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

Management has evaluated the School's tax positions and has concluded that the School has taken no uncertain tax positions that require adjustment to the financial statements. Generally, the School is no longer subject to income tax examinations by U.S. federal, state or local taxing authorities for years before 2011.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the School has evaluated subsequent events through October 25, 2013, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**NOTE 3. RELATED-PARTY TRANSACTIONS**

The Beginning with Children Foundation (the "Foundation") is a not-for-profit organization dedicated to improving the educational opportunities of urban children through the creation of autonomous, high-performing public schools. The Foundation is a cofounder of the School.

As an educational manager to charter schools for the period from September 13, 2011 (inception) to June 30, 2013, the Foundation entered into a Memorandum of Understanding ("MOU") agreement with the School. Pursuant to the terms of the MOU agreement, the School agreed to pay service fees to the Foundation in the amount of \$203,216 for the period from September 13, 2011 (inception) to June 30, 2013. The Foundation supported the School in the areas of leadership and strategy, curriculum and assessment, research and evaluation, teacher development and recruitment, parent and family engagement, business services, compliance, development, technology, communications, board development and evaluation of effectiveness. The amount due to the Foundation at June 30, 2013, was \$142,446 (inclusive of outstanding loan balance owed by the School amounting to \$100,000).

**BEGINNING WITH CHILDREN CHARTER SCHOOL 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2013:

Computer equipment	\$ 78,386	3 years
Less: accumulated depreciation	<u>(10,391)</u>	
Property and equipment, net	<u>\$ 67,995</u>	

Depreciation expense for the period from September 13, 2011 (inception) to June 30, 2013, was \$10,391.

**NOTE 5. SCHOOL FACILITIES**

The School occupies space in a public school owned by the NYCDOE located at 215 Heyward Street in Brooklyn, New York, which has been made available to the School at no charge.

**NOTE 6. EMPLOYEE BENEFIT PLAN**

The School maintains a defined contribution plan under Section 401(k) of the Internal Revenue Code covering all eligible employees. Under the plan, the School provides matching contributions. In addition, the School may elect, on a discretionary basis, to contribute a percentage of all qualified employees' compensation to the profit-sharing component of the plan. The amount charged to operations for contributions to the defined contribution plan was \$6,499 for the period from September 13, 2011 (inception) to June 30, 2013.

**NOTE 7. CONTINGENCIES**

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

**BEGINNING WITH CHILDREN CHARTER SCHOOL 2  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE PERIOD FROM SEPTEMBER 13, 2011 (INCEPTION) TO JUNE 30, 2013**

<u>Federal Grantor Pass-Through Grantor Program Title</u>	<u>Federal CFDA</u>	<u>Expenditures</u>
<b>The New York State Education Department</b>		
Charter School Planning Grant	84.282A	\$ 576,271
Title IA	84.010A	50,823
Title IIA	84.367A	<u>13,515</u>
<b>TOTAL EXPENDITURES</b>		<b>\$ <u>640,609</u></b>

See accompanying notes to schedule of expenditures of federal awards.

**BEGINNING WITH CHILDREN CHARTER SCHOOL 2  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE PERIOD FROM SEPTEMBER 13, 2011 (INCEPTION) TO JUNE 30, 2013**

**NOTE 1.     GENERAL**

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Beginning with Children Charter School 2. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included in the schedule of expenditures of federal awards.

**NOTE 2.     BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards has been prepared in accordance with accounting principles generally accepted in the United States of America.

**NOTE 3.     RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports.



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**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  
Beginning with Children Charter School 2

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 Beginning with Children Charter School 2 (the "School") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and change in net assets, functional expenses and cash flows for the period from September 13, 2011 (inception) to June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated October 25, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

## 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.

*Citrin Cooperman & Company, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
October 25, 2013





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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Trustees  
Beginning with Children Charter School 2

### **Report on Compliance for Each Major Federal Program**

We have audited the School's compliance with types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the period from September 13, 2011 (inception) to June 30, 2013. The School's major federal program is identified in the summary of auditors' results section of the accompanying schedule of finds and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the School complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on its major federal program for the period from September 13, 2011 (inception) to June 30, 2013.

## Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
CITRIN COOPERMAN & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
October 25, 2013

**BEGINNING WITH CHILDREN CHARTER SCHOOL 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE PERIOD FROM SEPTEMBER 13, 2011 (INCEPTION) TO JUNE 30, 2013**

Section I - Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness identified?  Yes  No

Reportable conditions identified not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal control over major federal programs:

Material weakness identified?  Yes  No

Reportable conditions identified not considered to be material weaknesses?  Yes  None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?  Yes  No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
84.282A	Public Charter School Program

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

Auditee qualified as low-risk auditee?  Yes  No

Section II - Financial statement audit - reported findings under *Government Auditing Standards*:

None

Section III - Federal awards findings and questioned costs:

None