

**BEGINNING WITH CHILDREN
CHARTER SCHOOL 2
FINANCIAL STATEMENTS
THREE-MONTH PERIOD
FROM JULY 1, 2014 TO SEPTEMBER 30, 2014**

**BEGINNING WITH CHILDREN CHARTER SCHOOL 2
FOR THE THREE-MONTH PERIOD FROM JULY 1, 2014 TO SEPTEMBER 30, 2014**

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7 - 10
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11 - 12



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Beginning with Children Charter School 2

Report on the Financial Statements

We have audited the accompanying financial statement of Beginning with Children Charter School 2 (the "School") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2014, and the related statement of activities, functional expenses, and cash flows for the three-month period from July 1, 2014 to September 30, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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

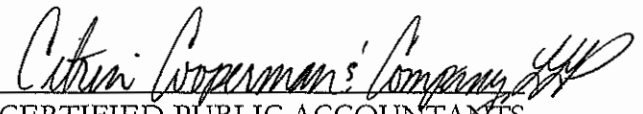
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beginning with Children Charter School 2 as of September 30, 2014, and the change in its net assets and its cash flows for the three-month period from July 1, 2014 to September 30, 2014, 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 August 26, 2015, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 8 to the financial statements, on October 1, 2014, the School merged with another not-for-profit education corporation. The surviving education corporation has been renamed Community Partnership Charter School Education Corporation and the provisional charter granted in 2012 is valid through July 2017. Our opinion is not modified with respect to that matter.


CITRIN COOPERMAN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
August 26, 2015

**BEGINNING WITH CHILDREN CHARTER SCHOOL 2
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2014**

ASSETS

Cash	\$ 943,491
Grants receivable	105,802
Prepaid expenses	15,019
Property and equipment, net of accumulated depreciation of \$42,704	57,154
Due from Beginning with Children Foundation, net	<u>1,466</u>
TOTAL ASSETS	<u>\$ 1,122,932</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 195,711
Due to NYC Department of Education	<u>251,181</u>
Total liabilities	446,892
Contingencies (Note 7)	
Unrestricted net assets	<u>676,040</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,122,932</u>

See accompanying notes to financial statements.

**BEGINNING WITH CHILDREN CHARTER SCHOOL 2
STATEMENT OF ACTIVITIES
FOR THE THREE-MONTH PERIOD FROM
JULY 1, 2014 TO SEPTEMBER 30, 2014**

Operating revenue:	
State and local per pupil operating revenue	\$ 731,710
Government grants	<u>13,928</u>
Total operating revenue	<u>745,638</u>
Operating expenses:	
Program services:	
Regular education	450,394
Special education	<u>103,464</u>
Total program services	<u>553,858</u>
Supporting services:	
Fundraising	9,885
Management and general	<u>98,911</u>
Total supporting services	<u>108,796</u>
Total operating expenses	<u>662,654</u>
Surplus on government-funded school operations	82,984
Other revenue:	
Investment earnings	<u>311</u>
Change in net assets	83,295
Net assets - beginning	<u>592,745</u>
NET ASSETS - ENDING	<u>\$ 676,040</u>

See accompanying notes to financial statements.

BEGINNING WITH CHILDREN CHARTER SCHOOL 2
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE THREE-MONTH PERIOD FROM JULY 1, 2014 TO SEPTEMBER 30, 2014

	Program Services			Supporting Services			
	Regular Education	Special Education	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Personnel services:							
Administrative staff personnel	\$ 29,101	\$ 1,857	\$ 30,958	\$ -	\$ 30,404	\$ 30,404	\$ 61,362
Instructional personnel	158,715	74,621	233,336	-	-	-	233,336
Non-instructional personnel	<u>19,607</u>	<u>1,252</u>	<u>20,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,859</u>
Total personnel services	207,423	77,730	285,153	-	30,404	30,404	315,557
Fringe benefits and payroll taxes	57,366	10,623	67,989	-	8,109	8,109	76,098
Retirement	7,579	484	8,063	-	-	-	8,063
Management fees	65,043	4,152	69,195	9,885	19,770	29,655	98,850
Accounting and audit services	-	-	-	-	23,500	23,500	23,500
Consulting services	1,712	109	1,821	-	1,800	1,800	3,621
Repairs and maintenance	3,470	221	3,691	-	-	-	3,691
Insurance	7,373	471	7,844	-	2,582	2,582	10,426
Supplies and materials	63,524	7,318	70,842	-	-	-	70,842
Equipment and furnishings	652	42	694	-	77	77	771
Staff development	9,982	637	10,619	-	-	-	10,619
Marketing and recruitment	1,201	77	1,278	-	-	-	1,278
Technology	1,570	100	1,670	-	6,391	6,391	8,061
Student services	9,398	600	9,998	-	-	-	9,998
Office expense	-	-	-	-	4,938	4,938	4,938
Depreciation	7,175	458	7,633	-	-	-	7,633
Other	<u>6,926</u>	<u>442</u>	<u>7,368</u>	<u>-</u>	<u>1,340</u>	<u>1,340</u>	<u>8,708</u>
TOTAL	<u>\$ 450,394</u>	<u>\$ 103,464</u>	<u>\$ 553,858</u>	<u>\$ 9,885</u>	<u>\$ 98,911</u>	<u>\$ 108,796</u>	<u>\$ 662,654</u>

See accompanying notes to financial statements.

**BEGINNING WITH CHILDREN CHARTER SCHOOL 2
STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD FROM
JULY 1, 2014 TO SEPTEMBER 30, 2014**

Operating activities:	
Change in net assets	\$ 83,295
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	7,633
Changes in assets and liabilities:	
Grants receivable	(13,851)
Accounts payable and accrued expenses	65,497
Due to Beginning with Children Foundation	(7,936)
Due to NYC Department of Education	243,903
Prepaid expenses	<u>(11,950)</u>
Net cash provided by operating activities	366,591
Investing activities:	
Purchase of property and equipment	<u>(11,729)</u>
Net increase in cash	354,862
Cash - beginning	<u>588,629</u>
CASH - ENDING	<u>\$ 943,491</u>

See accompanying notes to financial statements.

BEGINNING WITH CHILDREN CHARTER SCHOOL 2
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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. Effective October 1, 2014, the School merged into and is being operated as part of Community Partnership Charter School Education Corporation (see Note 8).

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. Such charter remains valid upon the merger.

The School's mission is to provide for a nurturing yet rigorous community that fosters a love of learning and the development of character for students and will prepare students to succeed in top performing high schools and colleges.

The New York City Department of Education ("NYCDOE") provides free and reduced-price lunches and transportation directly to a majority of the School's students.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement

The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP") and is 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 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration Risk

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.

BEGINNING WITH CHILDREN CHARTER SCHOOL 2
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Amounts received prior to services being rendered on behalf of students are recognized as amounts 'Due to NYCDOE.' Revenue from federal, state and local government cost reimbursement grants and contracts is recognized as revenue when qualifying expenditures are incurred. Amounts received in excess of expenditures incurred are recognized as refundable advances.

Grants Receivable

Grants receivable is stated at the amount management expects to collect. Management evaluates such receivables and establishes an allowance for doubtful accounts based on a history of write-offs and collections and current credit conditions. At September 30, 2014, management determined that no allowance was required.

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 September 30, 2014, the School had no temporarily or permanently restricted net assets.

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.

BEGINNING WITH CHILDREN CHARTER SCHOOL 2
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 August 26, 2015, 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 three-month period from July 1, 2014 to September 30, 2014, the Foundation entered into an amended 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 \$98,850 for the three-month period from July 1, 2014 to September 30, 2014. 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 from the Foundation at September 30, 2014, was \$1,466.

BEGINNING WITH CHILDREN CHARTER SCHOOL 2
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2014:

		<u>Estimated Useful Life</u>
Computer equipment	\$ 93,858	3 years
Furniture and fixtures	6,000	5 years
Less: accumulated depreciation	<u>(42,704)</u>	
Property and equipment, net	<u>\$ 57,154</u>	

Depreciation expense amounted to \$7,633 for the three-month period from July 1, 2014 to September 30, 2014.

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 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 \$8,063 for the three-month period from July 1, 2014 to September 30, 2014.

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.

NOTE 8. EDUCATION CORPORATION MERGER

On March 12, 2014, the School entered into a Plan of Merger with another not-for-profit education corporation, Community Partnership Charter School ("CPCS"). The merger became effective on October 1, 2014, when final approval was obtained by operation of law in the state of New York. The surviving education corporation has been renamed Community Partnership Charter School Education Corporation and the provisional charter granted to the School in October 2012 is still valid, as it gives the surviving education corporation authority to operate until July 2017.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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 September 30, 2014, and the related statements of activities, functional expenses and cash flows for the three-month period from July 1, 2014 to September 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated August 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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
August 26, 2015