

BROOKLYN EAST COLLEGIATE CHARTER SCHOOL

BROOKLYN, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2015

(With Comparative Totals for 2014)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9
 <u>OTHER FINANCIAL INFORMATION</u>	
Independent Auditor's Report on Other Financial Information	16
Schedule of Middle School and High School Activities – Year Ended June 30, 2015	17
 <u>REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	
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>	19

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Brooklyn East Collegiate Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Brooklyn East Collegiate Charter School, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Brooklyn East Collegiate Charter School as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Brooklyn East Collegiate Charter School's June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015 on our consideration of Brooklyn East Collegiate Charter 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 Brooklyn East Collegiate Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 20, 2015

BROOKLYN EAST COLLEGIATE CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

(With Comparative Totals for 2014)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 810,338	\$ 776,898
Grants and other receivables	87,113	87,653
Prepaid expenses	24,504	63,869
TOTAL CURRENT ASSETS	921,955	928,420
<u>PROPERTY AND EQUIPMENT, net</u>	352,506	225,460
TOTAL ASSETS	<u>\$ 1,274,461</u>	<u>\$ 1,153,880</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 200,496	\$ 295,515
Due to related party	-	28,840
TOTAL CURRENT LIABILITIES	200,496	324,355
<u>NET ASSETS, unrestricted</u>		
Designated for stability fund	260,000	260,000
Undesignated	813,965	569,525
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,274,461</u>	<u>\$ 1,153,880</u>

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

BROOKLYN EAST COLLEGIATE CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	Year ended June 30,	
	<u>2015</u>	<u>2014</u>
Operating revenue and support:		
State and local per pupil operating revenue	\$ 4,996,069	\$ 4,123,149
Government grants	221,359	208,680
Contributions	416,385	27,000
Other income	<u>38,968</u>	<u>18,272</u>
TOTAL OPERATING REVENUE AND SUPPORT	5,672,781	4,377,101
Expenses:		
Program services - education	4,809,137	3,743,671
General and administrative	<u>619,204</u>	<u>479,349</u>
TOTAL EXPENSES	<u>5,428,341</u>	<u>4,223,020</u>
CHANGE IN NET ASSETS	244,440	154,081
Unrestricted net assets at beginning of year	<u>829,525</u>	<u>675,444</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 1,073,965</u>	<u>\$ 829,525</u>

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

BROOKLYN EAST COLLEGIATE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	Program services - education	General and administrative	Total	
			Year ended June 30,	
			2015	2014
Salaries	\$ 2,766,115	\$ 205,938	\$ 2,972,053	\$ 2,408,282
Payroll taxes and employee benefits	469,516	27,555	497,071	379,731
Occupancy	126	-	126	24,891
Repairs and maintenance	74,680	10,797	85,477	40,261
Textbooks	31,596	-	31,596	18,107
Instructional supplies and assessments	119,667	-	119,667	119,221
Computer and technology supplies	246,356	-	246,356	137,944
Student enrichment and services	388,077	-	388,077	216,832
Professional development	197,558	-	197,558	140,729
Professional services	-	17,703	17,703	19,299
Telephone	-	90,730	90,730	53,433
Insurance	-	41,826	41,826	42,321
Management fees	393,559	69,451	463,010	407,260
Office expense	23,207	139,994	163,201	114,700
Depreciation and amortization	98,678	626	99,304	88,155
Other	2	14,584	14,586	11,854
	<u>\$ 4,809,137</u>	<u>\$ 619,204</u>	<u>\$ 5,428,341</u>	<u>\$ 4,223,020</u>

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

BROOKLYN EAST COLLEGIATE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	<u>Year ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 244,440	\$ 154,081
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	99,304	88,155
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	540	(23,370)
Prepaid expenses	39,365	2,206
Accounts payable and accrued expenses	(95,019)	113,606
Due to related party	(28,840)	28,840
NET CASH PROVIDED FROM OPERATING ACTIVITIES	259,790	363,518
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(226,350)	(116,501)
NET CASH USED FOR INVESTING ACTIVITIES	(226,350)	(116,501)
NET INCREASE IN CASH	33,440	247,017
Cash at beginning of year	776,898	529,881
CASH AT END OF YEAR	<u>\$ 810,338</u>	<u>\$ 776,898</u>

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

BROOKLYN EAST COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Comparative Totals for 2014)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Brooklyn East Collegiate Charter School (the “Charter School”), is an educational corporation operating as a charter school in the borough of Brooklyn, New York City. On February 23, 2009, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. On February 23, 2014, the Board of Regents extended the charter through July 31, 2015. See Note I regarding status of charter effective July 1, 2015.

The Charter School’s mission is to prepare students to enter, succeed in, and graduate from college.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter 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.

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2015 or 2014.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. The Charter School had no temporarily restricted net assets at June 30, 2015 or 2014.

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School’s charter status and 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 are recorded by the Charter School when qualifying expenditures are incurred and billable.

BROOKLYN EAST COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015

(With Comparative Totals for 2014)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Contributions

Contributions received are recorded as unrestricted, temporarily or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash

Cash balances are maintained at a financial institution located in New York and are insured by the FDIC up to \$250,000 at the institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2015 or 2014.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to ten years.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School has filed for income tax exemptions in the jurisdictions where it is required to do so. The Charter School files Form 990 in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2012 through June 30, 2015 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

BROOKLYN EAST COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015

(With Comparative Totals for 2014)

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Cont'd

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require “specialized skills” and would typically not be purchased if they were not contributed.

In-kind contributions

Gifts and donations other than cash are recorded at fair value at the date of contribution. The Charter School received in-kind contributions of textbooks totaling \$27,810 and \$18,252 in the years ended June 30, 2015 and 2014, respectively, and are included in other income in the accompanying statement of activities and changes in net assets for the years ended June 30, 2015 and 2014.

Use of estimates in the preparation of financial statements

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

Comparatives for period ended June 30, 2014

The financial statements include certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School’s financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 20, 2015, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

BROOKLYN EAST COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015

(With Comparative Totals for 2014)

NOTE B: RELATED PARTY TRANSACTIONS

Uncommon Schools, Inc. (“USI”), a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Charter School. The Charter School entered into a five year agreement with USI, dated July 1, 2010, under which the Charter School pays USI a service fee of a set percentage of the average number of students enrolled at the Charter School during the school year multiplied by the approved per pupil operating expenses for the school year, and a percentage of all other public entitlement funding receivable during the fiscal year, excluding in-kind contributions and funds from competitive public grants. This percentage is fixed at 10% for years 1-3, decreasing to 9.5% in year 4 and 9% in year 5. The fee incurred for the years ended June 30, 2015 and 2014 was approximately \$463,000 and \$407,000, respectively. At June 30, 2015 and 2014, approximately \$84,200 and \$118,400, respectively was included in accounts payable, relating to USI.

The Charter School is related to Kings Collegiate Charter School, Brownsville Collegiate Charter School, Ocean Hill Collegiate Charter School, Williamsburg Collegiate Charter School and Bedford Stuyvesant Collegiate Charter School through common Board representation. As none of the schools have an economic interest in the net assets of any other school, the facts do not require consolidation of any of these schools with the Charter School in accordance with GAAP.

See Note I regarding merger with related parties and replacement of the agreement with USI for providing management and other administrative support services.

In December 2013, the Charter School entered into a memorandum of understanding with Leadership Preparatory Bedford Stuyvesant Charter School (“Leadership Prep Bed-Stuy”) and Ocean Hill Collegiate Charter School to co-locate at a shared high school beginning in the 2014-2015 school year. Leadership Prep Bed-Stuy is the funding agent for the shared high school and expenses are allocated among applicable schools based on full-time equivalent numbers. At June 30, 2015, there were no amounts owed to Leadership Prep Bed-Stuy in relation to the shared facilities. At June 30, 2014, there were certain related party payables valued at approximately \$29,000 due to Leadership Prep Bed-Stuy as a result of shared facilities.

NOTE C: SCHOOL FACILITY

The Charter School is located in a New York City Department of Education facility. At June 30, 2015 and 2014, the Board of Trustees had designated \$260,000 as a stability fund to meet future needs of the Charter School. During the years ended June 30, 2015 and 2014, the Charter School did not have any expenses related to utilities and maintenance services. During the years ended June 30, 2015 and 2014, the Charter School paid approximately \$100 and \$25,000 to the New York City Department of Education for additional after-school and weekend usage.

BROOKLYN EAST COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015

(With Comparative Totals for 2014)

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>Year ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Furniture and fixtures	\$ 30,236	\$ 27,806
Computers and software	381,149	254,760
Leasehold improvements	<u>298,571</u>	<u>201,040</u>
	709,956	483,606
Less accumulated depreciation and amortization	<u>357,450</u>	<u>258,146</u>
	<u>\$ 352,506</u>	<u>\$ 225,460</u>

NOTE E: OPERATING LEASES

The Charter School leases office equipment under non-cancelable lease agreements expiring through June 2018. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 29,859
2017	29,859
2018	<u>13,342</u>
	<u>\$ 73,060</u>

NOTE F: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. The Charter School matches employees' contributions up to the lesser of 3% of gross payroll or \$3,500. The Charter School's total contribution to the Plan for the years ended June 30, 2015 and 2014 was approximately \$62,700 and \$34,500, respectively.

BROOKLYN EAST COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015

(With Comparative Totals for 2014)

NOTE G: CONTINGENCY

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

At June 30, 2015, 14% and 69% of accounts receivable are due from New York State and a grantor, respectively. At June 30, 2014, 16%, 18% and 61% of accounts receivable are due from New York City, New York State and a grantor, respectively.

During the years ended June 30, 2015 and 2014, 88% and 94%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School is located.

NOTE I: MERGER

In December 2014, the Charter School's Board of Trustees approved the merger of the Charter School and Leadership Preparatory Bedford Stuyvesant Charter School, as the successor Charter School under the name Uncommon New York City Charter Schools, in conjunction with Excellence Charter Schools, Bedford Stuyvesant Collegiate Charter School, Brownsville Collegiate Charter School, Kings Collegiate Charter School, Leadership Preparatory Brownsville Charter School, Leadership Preparatory Canarsie Charter School, Leadership Preparatory Ocean Hill Charter School and Ocean Hill Collegiate Charter School. The merger was approved on March 6, 2015 by the SUNY Board of Trustees and on June 30, 2015 by the Board of Regents. The merger is effective July 1, 2015. In conjunction with this merger, the Charter School was dissolved and a new agreement is being negotiated with USI to provide management and other administrative services to Uncommon New York City Charter Schools.

BROOKLYN EAST COLLEGIATE CHARTER SCHOOL

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Brooklyn East Collegiate Charter School

We have audited the financial statements of Brooklyn East Collegiate Charter School as of and for the year ended June 30, 2015, and we have issued our report thereon dated October 20, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2015 financial information hereinafter 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 for the year ended June 30, 2015, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 20, 2015

BROOKLYN EAST COLLEGIATE CHARTER SCHOOL
SCHEDULE OF MIDDLE SCHOOL AND HIGH SCHOOL ACTIVITIES
YEAR ENDED JUNE 30, 2015

	<u>Middle School</u>	<u>High School</u>	<u>Total</u>
State and local per pupil operating revenue	\$ 4,463,133	\$ 532,936	\$ 4,996,069
Government grants	187,189	34,170	221,359
Contributions	-	416,385	416,385
Other income	<u>34,344</u>	<u>4,624</u>	<u>38,968</u>
TOTAL OPERATING REVENUE AND SUPPORT	4,684,666	988,115	5,672,781
Salaries	2,570,567	401,486	2,972,053
Payroll taxes and employee benefits	439,933	57,138	497,071
Occupancy	126	-	126
Repairs and maintenance	27,038	58,439	85,477
Textbooks	10,976	20,620	31,596
Instructional supplies and assessments	103,405	16,262	119,667
Computer and technology supplies	178,437	67,919	246,356
Student enrichment and services	359,659	28,418	388,077
Professional development	157,647	39,911	197,558
Professional services	15,461	2,242	17,703
Telephone	70,180	20,550	90,730
Insurance	37,480	4,346	41,826
Management fees	413,701	49,309	463,010
Office expense	132,570	30,631	163,201
Depreciation and amortization	66,289	33,015	99,304
Other	<u>7,991</u>	<u>6,595</u>	<u>14,586</u>
TOTAL EXPENSES	<u>4,591,460</u>	<u>836,881</u>	<u>5,428,341</u>
CHANGE IN NET ASSETS	<u>\$ 93,206</u>	<u>\$ 151,234</u>	<u>\$ 244,440</u>

BROOKLYN EAST COLLEGIATE CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

Board of Trustees
Brooklyn East Collegiate 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 Brooklyn East Collegiate Charter School, which comprise the statement of financial position as of June 30, 2015 and the related statements of activities and changes in net assets, 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 20, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brooklyn East Collegiate Charter 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brooklyn East Collegiate Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Brooklyn East Collegiate Charter 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 Brooklyn East Collegiate 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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 20, 2015

BROOKLYN EAST COLLEGIATE CHARTER SCHOOL

ADVISORY COMMENT LETTER

JUNE 30, 2015



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 20, 2015

To the Board of Trustees
Brooklyn East Collegiate Charter School

In planning and performing our audit of the financial statements of Brooklyn East Collegiate Charter School (the “Charter School”) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter School’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter 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 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.

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

* * * *

This communication is intended solely for the information and use of Management, Finance Committee Members and Board Members and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the Charter School's financial statements. Should you have any questions or comments, please contact Shelby Stenson or Ryan Snyder.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP