



Financial Statements, Additional Information, and
Federal Awards Supplemental Information as of
and for the Years Ended June 30, 2013 and 2012,
and Independent Auditor's Reports



**BROOKLYN EXCELSIOR
CHARTER SCHOOL**

A PUBLIC CHARTER SCHOOL MANAGED BY NATIONAL HERITAGE ACADEMIES

BROOKLYN EXCELSIOR CHARTER SCHOOL

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2013 AND 2012:	
Statement of Financial Position	3
Statement of Activities and Change in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9
ADDITIONAL INFORMATION —	10
Schedule of Functional Expenses	11
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	12-13
SUPPLEMENTAL INFORMATION:	14
REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE	15-17
Schedule of Expenditures of Federal Awards	18
Notes to Schedule of Expenditure of Federal Awards	19
Schedule of Findings and Questioned Costs	20-21

Independent Auditor's Report

To the Board of Directors
Brooklyn Excelsior Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Brooklyn Excelsior Charter School (the "School"), which comprise the statement of financial position as of June 30, 2013 and the related statements of activities and changes in net assets 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 Excelsior Charter School as of June 30, 2013 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Brooklyn Excelsior Charter School

Report on Prior Year Financial Statements and Restatement

The financial statements of Brooklyn Excelsior Charter School as of June 30, 2012 were audited by other auditors, whose report dated October 29, 2012 expressed an unqualified opinion on those financial statements.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Brooklyn Excelsior Charter School's basic financial statements. The schedule of expenditures of federal awards and supplemental schedule of functional expenses, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplemental schedule of functional expenses, as identified in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013 on our consideration of Brooklyn Excelsior 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brooklyn Excelsior Charter School's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 28, 2013

BROOKLYN EXCELSIOR CHARTER SCHOOL

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012**

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash	\$ 108,244	\$ 122,626
Due from governmental revenue sources	<u>75,496</u>	<u>351,580</u>
Total current assets	<u>183,740</u>	<u>474,206</u>
NON-CURRENT ASSETS:		
Capital assets	119,935	119,935
Less accumulated depreciation	<u>(28,360)</u>	<u>(15,086)</u>
Total capital assets, net of accumulated depreciation	<u>91,575</u>	<u>104,849</u>
TOTAL	<u>\$ 275,315</u>	<u>\$ 579,055</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Deferred revenue	\$ 4,600	\$ 9,191
Accounts payable	1,213	1,313
Contracted service fee payable	<u>146,202</u>	<u>417,668</u>
Total liabilities	<u>152,015</u>	<u>428,172</u>
NET ASSETS:		
Unrestricted and undesignated	<u>123,300</u>	<u>150,883</u>
TOTAL	<u>\$ 275,315</u>	<u>\$ 579,055</u>

See notes to financial statements.

BROOKLYN EXCELSIOR CHARTER SCHOOL

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
REVENUES, GAINS AND OTHER SUPPORT:		
State aid	\$ 9,806,385	\$9,670,385
Other state sources	140,873	363,572
Federal sources	856,715	1,011,358
Private sources	<u>38,858</u>	<u>26,851</u>
Total revenues, gains and other support	10,842,831	11,072,166
EXPENSES:		
Contracted service fee	10,857,140	10,959,138
Depreciation	<u>13,274</u>	<u>12,393</u>
Total expenses	<u>10,870,414</u>	<u>10,971,531</u>
CHANGE IN UNRESTRICTED NET ASSETS	(27,583)	100,635
NET ASSETS:		
Beginning of year	<u>150,883</u>	<u>50,248</u>
End of year	<u>\$ 123,300</u>	<u>\$ 150,883</u>

See notes to financial statements.

BROOKLYN EXCELSIOR CHARTER SCHOOL

**STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
State aid	\$ 9,806,385	\$ 9,670,385
Other state sources	189,873	363,572
Federal sources	1,079,189	1,040,899
Private sources	38,877	28,181
Payments for services rendered	<u>(11,128,706)</u>	<u>(10,990,178)</u>
Net cash (used in) provided by operating activities	<u>(14,382)</u>	<u>112,859</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of capital assets	<u>-</u>	<u>(105,813)</u>
NET (DECREASE) INCREASE IN CASH	(14,382)	7,046
CASH — Beginning of year	<u>122,626</u>	<u>115,580</u>
CASH — End of year	<u><u>\$ 108,244</u></u>	<u><u>\$ 122,626</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ (27,583)	\$ 100,635
Depreciation	13,274	12,393
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in due from governmental revenue sources	276,084	29,541
Change in accounts payable	(100)	954
Change in deferred revenue	(4,591)	1,330
Change in contracted service fee payable	<u>(271,466)</u>	<u>(31,994)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ (14,382)</u></u>	<u><u>\$ 112,859</u></u>

See notes to financial statements.

BROOKLYN EXCELSIOR CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

1. NATURE OF OPERATIONS

Brooklyn Excelsior Charter School (the "School") is a public charter school as defined by Article 56 of the New York State Education Law which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The School operates under a charter approved by the State University of New York Charter Schools Institute, which is responsible for oversight of the School's operations. The original charter expires July 31, 2013 was renewed in the ordinary course of business through July 31, 2018. The School provides education, at no cost to the parent, to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

The School's primary source of revenue is provided by the State of New York and consists of an amount per student multiplied by weighted average student counts. The state revenue is recognized ratably over the school year and was funded through payments from July 2012 through May 2013 for the year ended June 30, 2013.

The Board of Trustees of the School has entered into a management agreement (the "agreement") with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the School operates. The agreement will continue until termination or expiration of the charter, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the School or NHA.

Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the School from all revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The financial statements have been prepared in accordance with Section 2851 of the Education Law of the State of New York which requires such statements to be prepared on the accrual basis of accounting in accordance with generally accepted accounting principles accepted in the United States of America for not-for-profit organizations.

Estimates — 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 disclosures 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.

Cash — Cash as of June 30, 2013 and 2012, represents bank deposits which are covered by federal depository insurance.

Deferred Revenue — Deferred revenue as of June 30, 2013 and 2012, consists of funds received for services which have not yet been performed.

Contracted Service Fee Payable — Contracted service fee payable represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the agreement.

Capital Assets — Capital assets, which include other equipment, are reported in at historical cost. Capital assets are defined by the School as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year.

Other equipment is depreciated using the straight-line method over useful lives of 3–10 years.

The Financial Statements — The financial statements are presented as follows:

Net assets and changes therein are classified and reported as follows:

- *Unrestricted Net Assets* — Net assets which are not subject to donor imposed or governmental stipulations.

Revenues and contributions are reported as follows:

- Revenues, gains and other support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed or governmental restrictions. Expenses are reported as decreases in unrestricted net assets. Other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or governmental restriction. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.
- Revenue is recorded when earned, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Reclassification — Certain amounts as of June 30, 2012 have been reclassified to conform to the June 30, 2013 presentation.

Income Taxes — The School operates as a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School has received notification from the Internal Revenue Service (IRS) that they are considered exempt from Federal income tax under Section 501(c)(3) of the internal revenue code.

The School has evaluated its position regarding the accounting for uncertain income tax

positions and does not believe that it has any material uncertain tax positions. The School recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and other information available at the reporting date and is subject to management's judgment. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations prior to June 30, 2010.

3. RISK MANAGEMENT

The School is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2013 or 2012, and claims did not exceed coverage less retained risk deductible amounts in the past fiscal year.

4. CONTINGENCIES

The School has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

5. CAPITAL ASSETS

Capital asset activity of the school was as follows:

Year ended June 30, 2013	Beginning Balance	Additions	Disposals	Ending Balance
Equipment	\$ 119,935	\$ -	\$ -	\$ 119,935
Total capital assets at historical cost	<u>119,935</u>	<u>-</u>	<u>-</u>	<u>119,935</u>
Less accumulated depreciation — equipment	<u>15,086</u>	<u>13,274</u>	<u>-</u>	<u>28,360</u>
Total accumulated depreciation	<u>15,086</u>	<u>13,274</u>	<u>-</u>	<u>28,360</u>
Total capital asset activity, net	<u>\$ 104,849</u>	<u>\$ (13,274)</u>	<u>\$ -</u>	<u>\$ 91,575</u>

Year ended June 30, 2012	Beginning Balance	Additions	Disposals	Ending Balance
Equipment	<u>\$ 14,122</u>	<u>\$ 105,813</u>	<u>\$ -</u>	<u>\$ 119,935</u>
Total capital assets at historical cost	<u>14,122</u>	<u>105,813</u>	<u>-</u>	<u>119,935</u>
Less accumulated depreciation — equipment	<u>2,693</u>	<u>12,393</u>	<u>-</u>	<u>15,086</u>
Total accumulated depreciation	<u>2,693</u>	<u>12,393</u>	<u>-</u>	<u>15,086</u>
Total capital asset activity, net	<u>\$ 11,429</u>	<u>\$ 93,420</u>	<u>\$ -</u>	<u>\$ 104,849</u>

6. OPERATING LEASE

The School has entered into a sublease agreement with NHA for a facility to house the School. The lease term is from July 1, 2012 through June 30, 2013. Rental payments required by the lease are \$2,571,684 payable in monthly payments of \$214,307.

The School subsequently renewed the sublease with NHA for the period of July 1, 2013 through December 31, 2013, at the same rental rate.

7. FUNCTIONAL EXPENSES

The School provides a comprehensive education programs to enrolled students. Expenses incurred for these programs and other expenses are as follows:

	2013	2012
Program services:		
Regular education	\$ 7,910,813	\$ 8,030,896
Special education	346,741	424,931
Supporting services — management and general	<u>2,599,586</u>	<u>2,515,704</u>
Total contracted service fee	10,857,140	10,971,531
Depreciation Expense	<u>13,274</u>	<u>12,393</u>
Total contracted service fee	<u>\$ 10,870,414</u>	<u>\$ 10,983,924</u>

8. SUBSEQUENT EVENTS

Events or transactions occurring June 30, 2013 have been evaluated through October 28, 2013, the date the financial statements were available to be issued. The financial statements and the notes thereto do not reflect events or transactions after this date.

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ADDITIONAL INFORMATION

BROOKLYN EXCELSIOR CHARTER SCHOOL

**SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013 WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2012**

	2013			2012 Total
	Program Services		Supporting	
	Regular Education	Special Education	Services Management and General	
Contracted service fee:				
Salaries and wages	\$ 2,984,699	\$ 185,678	-	\$ 3,170,377
Retirement contributions	57,244	4,415	-	61,659
Other employee benefits	456,298	30,331	-	486,629
Payroll taxes	259,376	16,872	-	276,248
Accounting fees	10,116	-	293,215	303,331
Supplies	259,032	116	23,957	283,105
Postage and shipping	6,746	-	-	6,746
Occupancy	3,081,055	-	-	3,081,055
Food service	452,583	-	-	452,583
Equipment rental and maintenance	17,647	-	-	17,647
Printing and publications	49,575	-	-	49,575
Travel	9,033	42	-	9,075
Professional development and meetings	85,204	-	-	85,204
Instructional support	94,354	109,287	-	203,641
Academic and general support	-	-	417,893	417,893
Enrollment and parent relations	-	-	512,836	512,836
Board support	-	-	95,645	95,645
Human resources	-	-	183,213	183,213
Support services	-	-	483,591	483,591
Technology services	9,470	-	59,575	59,575
Marketing and business development	1,930	-	452,344	461,814
Insurance	36,265	-	77,317	79,247
Miscellaneous	40,186	-	-	36,265
Total contracted service fee	7,910,813	346,741	2,599,586	10,857,140
Depreciation	13,274	-	-	13,274
Total expenses	\$ 7,924,087	\$ 346,741	\$ 2,599,586	\$ 10,870,414
				\$ 3,325,235
				64,582
				427,887
				286,806
				226,453
				260,947
				4,718
				3,072,493
				487,139
				66,300
				73,077
				2,007
				57,793
				209,278
				188,147
				842,205
				96,244
				156,767
				461,460
				93,325
				399,607
				87,388
				26,743
				42,537
				10,959,138



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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*

Independent Auditor's Report

To Management and the Board of Directors
Brooklyn Excelsior Charter School

We have audited, 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, the financial statements of Brooklyn Excelsior Charter School, which comprise the basic statement of financial position as of June 30, 2013 and the related basic statements of activities and changes in net assets and cash flows for the year then ended, and related notes to the financial statements and have issued our report thereon dated October 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brooklyn Excelsior 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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.

To Management and the Board of Directors
Brooklyn Excelsior Charter School

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brooklyn Excelsior 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.

Plante & Moran, PLLC

Grand Rapids, Michigan
October 28, 2013

SUPPLEMENTAL INFORMATION

Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Directors
Brooklyn Excelsior Charter School

Report on Compliance for Major Federal Program

We have audited Brooklyn Excelsior Charter School's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2013. Brooklyn Excelsior Charter School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of Brooklyn Excelsior Charter School's major federal program 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 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 the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about Brooklyn Excelsior Charter 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 its major federal program. However, our audit does not provide a legal determination of Brooklyn Excelsior Charter School's compliance.

To the Board of Directors
Brooklyn Excelsior Charter School

Opinion on the Major Federal Program

In our opinion, Brooklyn Excelsior Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Brooklyn Excelsior Charter 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 Brooklyn Excelsior Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 entity'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 a 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.

To the Board of Directors
Brooklyn Excelsior Charter School

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.

Plante & Moran, PLLC

Grand Rapids, Michigan
October 28, 2013

BROOKLYN EXCELSIOR CHARTER SCHOOL

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass- through Grantor's Number</u>	<u>Expenditures</u>
Child Nutrition Cluster:			
U.S. Department of Agriculture - Passed through New York			
State Education Department:			
National School Breakfast Program	10.553		\$ 151,471
National School Lunch Program	10.555		<u>257,711</u>
Total U.S. Department of Agriculture			<u>409,182</u>
U.S. Department of Education:			
Passed through New York State Education Department:			
Title I, Part A Cluster - Title I, Grants to Local			
Educational Agencies			
	84.010	0021124232	56,133
		0021134232	<u>318,713</u>
Total Title I, Part A Cluster			374,846
Title II, Improving Teacher Quality	84.367	0147124232	25,826
		0147134232	<u>3,972</u>
Total Title II, Improving Teacher Quality			29,798
Race to the Top	84.395	5500134232	14,627
Passed through New York City Department of Education -			
IDEA Cluster - IDEA, Part B			
	84.027	84K731	<u>28,262</u>
Total U.S. Department of Education			<u>447,533</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 856,715</u>

BROOKLYN EXCELSIOR CHARTER SCHOOL

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2013

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Brooklyn Excelsior Charter School under programs of the federal government for the year ended June 30, 2013. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Brooklyn Excelsior Charter School, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of Brooklyn Excelsior Charter School. Pass-through entity identifying numbers are presented where available.

Note 2 - Grant Auditor Report

Management has utilized the Federal/State Grant Payments - End of Year Report as published by the New York State Education Department in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

BROOKLYN EXCELSIOR CHARTER SCHOOL

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

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

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

Identification of the major program:

CFDA Number	Name of Federal Program or Cluster
84.010	Title 1, Part A Cluster

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

Auditee qualified as low-risk auditee? X Yes No

BROOKLYN EXCELSIOR CHARTER SCHOOL

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2013**

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

October 28, 2013

To the Board of Directors
Brooklyn Excelsior Charter School

We have audited the financial statements of Brooklyn Excelsior Charter School (the "School") as of and for the year ended June 30, 2013 and have issued our report thereon dated October 28, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 22, 2013, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of Brooklyn Excelsior Charter School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of Brooklyn Excelsior Charter School's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of Brooklyn Excelsior Charter School, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 28, 2013 regarding our consideration of Brooklyn Excelsior 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.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our communication about planning matters on June 17, 2013.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Brooklyn Excelsior Charter School are described in Note 2 to the financial statements.

We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no significant balances, amounts, or disclosures in the financial statements based on sensitive management estimates.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the School, and business plans and strategies that may affect the risks of material misstatement with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

This report is intended solely for the use of the board of directors and management of Brooklyn Excelsior Charter School and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC



Michael A. Lamfers, CPA
Partner



Michelle M. Goss, CPA
Partner