



Financial Statements
(Together with Independent Auditors' Report)

And
Report Required by *Government Auditing Standards*

June 30, 2013

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

June 30, 2013

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Children's Aid College Prep Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of the Children's Aid College Prep Charter School (the "Charter School") which comprise the statement of financial position as of June 30, 2013 and the related statements of activities, functional expenses and cash flows for the period from September 13, 2011 (date of inception) to June 30, 2013.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the Charter School as of June 30, 2013, and the changes in its net assets and its cash flows for the period from September 13, 2011 (date of inception) to June 30, 2013 in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were made for the purpose of forming an opinion on the financial statements of the Charter School taken as a whole. The supplementary information for the period from September 13, 2011 (date of inception) to June 30, 2013 is presented for the purpose 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2013 on our consideration of the 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 the Charter School's internal control over financial reporting and compliance.

Mark Paneth LLP

New York, NY
October 29, 2013

**CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2013**

ASSETS

CURRENT ASSETS	
Cash and cash equivalents (Notes 2B and 7)	\$ 277,956
Grants and contracts receivable (Notes 2E, 3 and 8)	<u>516,221</u>
TOTAL CURRENT ASSETS	794,177
PROPERTY AND EQUIPMENT, net (Note 2F and 4)	<u>172,598</u>
TOTAL ASSETS	<u>\$ 966,775</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 35,960
Accrued payroll and benefits	<u>196,251</u>
TOTAL CURRENT LIABILITIES	232,211
COMMITMENTS AND CONTINGENCIES (Note 6)	
NET ASSETS	
Unrestricted	<u>734,564</u>
TOTAL NET ASSETS	<u>734,564</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 966,775</u>

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

**CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE PERIOD FROM SEPTEMBER 13, 2011 (DATE OF INCEPTION) TO JUNE 30, 2013**

OPERATING REVENUE AND SUPPORT:

Public School District (Notes 2D and 7)	
Resident student enrollment	\$ 1,783,535
Students with disabilities	287,640
Grants and Contracts (Notes 2D and 7)	
State and local	600,000
Federal - Title 1 and IDEA	105,880
Other	<u>113,799</u>
TOTAL OPERATING REVENUE AND SUPPORT	<u>2,890,854</u>

OPERATING EXPENSES:

Program Services	
Regular Education	2,116,475
Special Education	<u>184,771</u>
Total Program Services	<u>2,301,246</u>
Supporting Services	
Management and General	381,236
Fundraising	<u>49,081</u>
Total Supporting Services	<u>430,317</u>
TOTAL OPERATING EXPENSES	<u>2,731,563</u>

SURPLUS FROM SCHOOL OPERATIONS 159,291

OTHER REVENUE:

Contributions from individuals (Notes 2C and 8)	38,949
Contributions passed-through Children's Aid (Notes 2C and 8)	<u>536,324</u>
TOTAL OTHER REVENUE	<u>575,273</u>

CHANGE IN NET ASSETS 734,564

Unrestricted Net Assets - beginning of period -

UNRESTRICTED NET ASSETS - END OF PERIOD \$ 734,564

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE PERIOD FROM SEPTEMBER 13, 2011 (DATE OF INCEPTION) TO JUNE 30, 2013

	Program Services			Supporting Services			Total
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 989,045	\$ 141,658	\$ 1,130,703	\$ 63,609	\$ 35,769	\$ 99,378	\$ 1,230,081
Fringe Benefits & Payroll Taxes	278,104	40,465	319,569	9,521	10,016	19,537	339,106
Management Company Fees - Contracted Services (Note 8)	322,722	-	322,722	213,358	-	213,358	536,080
Legal Service	-	-	-	5,986	-	5,986	5,986
Accounting / Audit Services	-	-	-	18,250	-	18,250	18,250
Other Purchased / Professional / Consulting Services	73,272	166	73,438	3,042	1,168	4,210	77,648
Repairs & Maintenance	69,359	-	69,359	199	-	199	69,558
Insurance	13,907	1,973	15,880	7,001	1,241	8,242	24,122
Utilities	8,509	-	8,509	851	-	851	9,360
Supplies / Materials	150,111	-	150,111	4,365	-	4,365	154,476
Equipment / Furnishings	12,520	509	13,029	399	-	399	13,428
Staff Development	76,412	-	76,412	4,509	-	4,509	80,921
Marketing / Recruitment	10,260	-	10,260	23,185	800	23,985	34,245
Technology	20,765	-	20,765	4,032	-	4,032	24,797
Food Service	16,041	-	16,041	1,524	-	1,524	17,565
Student Services	6,450	-	6,450	-	-	-	6,450
Office Expense	18,320	-	18,320	21,405	-	21,405	39,725
Depreciation	39,032	-	39,032	-	-	-	39,032
Other	10,646	-	10,646	-	87	87	10,733
TOTAL EXPENSES	\$ 2,116,475	\$ 184,771	\$ 2,301,246	\$ 381,236	\$ 49,081	\$ 430,317	\$ 2,731,563

**CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM SEPTEMBER 13, 2011 (DATE OF INCEPTION) TO JUNE 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 734,564
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	39,032
Changes in operating assets and liabilities:	
Increase in:	
Grants and contracts receivable	(516,221)
Increase in:	
Accounts payable and accrued expenses	35,960
Accrued payroll and benefits	<u>196,251</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>489,586</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	<u>(211,630)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(211,630)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Loan from Children's Aid	50,000
Repayment of loan to Children's Aid	<u>(50,000)</u>
NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	277,956
Cash and cash equivalents, beginning of year	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 277,956</u>

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

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Children's Aid College Prep Charter School (the "Charter School") is an educational corporation formed to operate a charter school located in the City of New York, County of the Bronx. On September 13, 2011, the Board of Regents of the University of the State of New York, for and on behalf of the State Education Department, granted a provisional charter valid for a term of five years, incorporating the Charter School.

The Charter School's mission is to ensure that children achieve academic success by providing them with the best instructional practices, advancing their physical, emotional, and social needs, fostering a sense of pride and hope, and serving as a safe and engaging community hub. The Charter School serves over 130 kindergarten and first-grade students and prioritizes students who are English language learners, at-risk of academic failure and/or currently involved in the child welfare system. The Charter School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code and is classified as an organization described in Section 501(c)(3).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Presentation*** - The Charter School maintains its net assets under the following three classes;

Unrestricted – This represents net assets not subject to donor-imposed stipulations and that have no time restrictions.

Temporarily Restricted – This represents net assets subject to donor-imposed stipulations that will be met by actions of the Charter School or by the passage of time. Temporarily restricted net assets received and released during the same period are treated as unrestricted net assets. There were no temporarily restricted net assets as of June 30, 2013.

Permanently Restricted – This represents net assets subject to donor-imposed restrictions on the corpus of the gifts specifying they be maintained in perpetuity. There were no permanently restricted net assets as of June 30, 2013.

B. ***Cash and Cash Equivalents*** – Cash equivalents include all highly liquid instruments purchased with original maturities of 90 days or less.

C. ***Contributions and Grants*** - Contributions received, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Conditional promises to give are recognized when they become unconditional, that is, when the conditions are substantially met. All contributions receivable are expected to be collected within one year.

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of the acquisition of such long-lived assets. The Charter School received approximately \$10,000 of contributed supplies included under other operating revenue.

D. ***Government Support*** – 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 contract are recorded by the Charter School when qualifying expenditures are incurred and billable.

**CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- E. **Grants and Contracts Receivable** – Grants and contracts receivables are stated at the amount management expects to collect from outstanding balances. The Charter School provides an allowance for doubtful accounts for receivables. This estimate is based on management's assessment of the aged basis of its government funding sources, current economic conditions and creditworthiness of its donors and grantors. The Charter School determined that no allowance for doubtful accounts was necessary as of June 30, 2013.
- F. **Property and Equipment** - The Charter School follows the practice of capitalizing expenditures for buildings and building improvements, furniture and equipment having a cost of \$5,000 or more and useful life of 5 years or more. Depreciation is recognized using the straight-line method over the estimated useful lives of the respective assets. Amortization of leasehold improvements is charged at the lesser of the life of the improvements or the lease.

The range of estimated useful lives follows:

Furniture and Equipment	5 -10 years
Leasehold improvements	Life of lease

- G. **Measure of Operations** - The Charter School includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, except for contributions.
- H. **Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements, and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

NOTE 3 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contract receivable consist of the following:

Due from the City of New York	\$ 103,785
Due from the State of New York	255,680
Due from the Federal sources	70,791
Due from the Children's Aid Society	<u>85,965</u>
	<u>\$ 516,221</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Furniture and equipment	\$ 154,061
Leasehold improvements	<u>57,569</u>
	211,630
Less: accumulated depreciation and amortization	<u>(39,032)</u>
	<u>\$ 172,598</u>

Depreciation expense amounted to \$39,032 for the period from September 13, 2011 (date of inception) to June 30, 2013.

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 - SCHOOL FACILITY

As part of the New York City Chancellor's Charter School Initiative, New York City Department of Education has committed space to the Charter School at no charge. The facilities and services provided by the New York City Department of Education to the Charter School are outlined in a Shared Facility Use Agreement. The agreement is for three years or until termination of the Charter School's charter.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

- A. The Charter School has no uncertain tax positions as of June 30, 2013 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions. This is the first full year of operations and no income tax returns were filed prior to June 30, 2012.
- B. Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowances 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 7 - CONCENTRATIONS

- A. The Charter School receives a majority of its revenues from the New York State Education Department through the New York City Department of Education Office of Charter Schools. The New York City Department of Education provides general operating support to the Charter School based upon the location and the number of students enrolled. Operating support provided to the Charter School by the New York City Department of Education totaled \$2,071,175 for the period from September 13, 2011 (date of inception) to June 30, 2013. The Charter School is dependent upon this level of funding in order to continue its operations.
- B. Cash accounts that potentially subject the Charter School to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of June 30, 2013, there was approximately \$30,000 of cash and cash equivalents held by a bank that exceeded FDIC limits.

NOTE 8 - RELATED-PARTY TRANSACTIONS

The Charter School and The Children's Aid Society ("CAS"), a not-for-profit organization, are related through certain Board commonality. CAS provides administrative support services and other enrichment programs and services to the students of Charter School ("wrap-around services") to the Charter School under an agreement between the two entities. The Charter School pays an administrative fee equal to 10.6% of total operating expenses, excluding rent and depreciation to CAS for the administrative services, which amounted to \$213,358. The wrap-around services charges and other amounted to \$322,722.

Children's Aid routinely receives contributions from private donors that are earmarked for the Charter School. These contributions are recorded as contribution income passed through by Children's Aid by the Charter School. For the period September 13, 2011 (date of inception) to June 30, 2013, the Charter School received \$536,324 of contributions passed through by Children's Aid. As of June 30, 2013, CAS owes \$85,965 to the Charter School.

CAS provided a no-interest loan of \$50,000 to the Charter School to start the operations. The loan was repaid in full as of June 30, 2013.

**CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated, for potential accrual or disclosure, events subsequent to the date of the statements of financial position through October 29, 2013, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through October 29, 2013 that would require adjustment to or disclosure in the financial statements.

CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL
SCHEDULE OF ACTIVITIES
YEAR ENDED JUNE 30, 2013 AND THE PERIOD FROM
SEPTEMBER 13, 2011 (DATE OF INCEPTION) TO JUNE 30, 2012

	<u>Year ended June 30, 2013</u>	<u>Period From September 13, 2011(Date of Inception) to June 30, 2012</u>	<u>Total</u>
OPERATING REVENUE AND SUPPORT:			
Public School District			
Resident student enrollment	\$ 1,783,535	\$ -	\$ 1,783,535
Students with disabilities	287,640	-	287,640
Grants and Contracts			
State and local	499,702	100,298	600,000
Federal - Title and IDEA	105,880	-	105,880
Other	113,799	-	113,799
	<u>2,790,556</u>	<u>100,298</u>	<u>2,890,854</u>
TOTAL OPERATING REVENUE AND SUPPORT			
OPERATING EXPENSES:			
Program Services:			
Regular Education	2,116,475	-	2,116,475
Special Education	184,771	-	184,771
	<u>2,301,246</u>	<u>-</u>	<u>2,301,246</u>
Total Program Services			
Supporting Services:			
Management and General	237,595	143,641	381,236
Fundraising	49,081	-	49,081
	<u>286,676</u>	<u>143,641</u>	<u>430,317</u>
Total Supporting Services			
	<u>2,587,922</u>	<u>143,641</u>	<u>2,731,563</u>
TOTAL OPERATING EXPENSES			
SURPLUS FROM SCHOOL OPERATIONS	<u>202,634</u>	<u>(43,343)</u>	<u>159,291</u>
OTHER REVENUE			
Contribution from individuals	38,449	500	38,949
Contributions passed-through Children's Aid	194,324	342,000	536,324
	<u>232,773</u>	<u>342,500</u>	<u>575,273</u>
TOTAL OTHER REVENUE			
CHANGE IN NET ASSETS	<u>\$ 435,407</u>	<u>\$ 299,157</u>	<u>\$ 734,564</u>

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

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

To the Board of Trustees of
Children's Aid College Prep 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 the Children's Aid College Prep Charter School (the "Charter School") which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the period from September 13, 2011 (date of inception) to June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 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 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 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 Charter 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 Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of Mark Parnitha in cursive script.

New York, NY
October 29, 2013

September 26, 2013

The Board of Trustees
of Children's Aid College Prep Charter School

In planning and performing our audit of the financial statements of the Children's Aid College Prep Charter School (the "Charter School") as of June 30, 2013 and for the period from September 13, 2011 (date of inception) to June 30, 2013, 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, and as of the date of this letter, 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 the Board of Trustees and management of the Charter School, and is not intended to be and should not be used by anyone other than these specified parties, unless permission is granted.

Sincerely,



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