

**COMMUNITY PARTNERSHIP
CHARTER SCHOOL
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012**

COMMUNITY PARTNERSHIP CHARTER SCHOOL
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements	
Statements of financial position	3
Statements of activities and changes in net assets	4
Statements of functional expenses	5
Statements of cash flows	6
Notes to financial statements	7 - 12
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 <i>Government Auditing Standards</i>	13 - 14



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Community Partnership Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Community Partnership Charter School (the "School") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2013, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
October 8, 2013

**COMMUNITY PARTNERSHIP CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 961,315	\$ 894,497
Grants receivable	170,625	122,963
Accounts and interest receivable	3,460	7,021
Investments	3,341,339	2,699,429
Due from NYCDOE	-	6,425
Due from Beginning with Children Foundation	53,029	7,506
Property and equipment, net of accumulated depreciation of \$337,517 in 2013 and \$284,207 in 2012	<u>106,274</u>	<u>140,988</u>
TOTAL ASSETS	<u>\$ 4,636,042</u>	<u>\$ 3,878,829</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 576,665	\$ 557,081
Due to NYCDOE	<u>1,691</u>	<u>-</u>
Total liabilities	<u>578,356</u>	<u>557,081</u>
Contingencies (Note 7)		
Net assets:		
Unrestricted:		
Board-designated for facility and personnel costs	1,200,000	1,200,000
Undesignated	<u>2,857,686</u>	<u>2,121,748</u>
Total net assets	<u>4,057,686</u>	<u>3,321,748</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,636,042</u>	<u>\$ 3,878,829</u>

See accompanying notes to financial statements.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Operating revenue:		
State and local per pupil operating revenue	\$ 6,308,860	\$ 5,617,788
Government grants	227,920	140,940
Other revenue	<u>1,539</u>	<u>4,099</u>
Total operating revenue	<u>6,538,319</u>	<u>5,762,827</u>
Operating expenses:		
Program services	5,381,682	5,222,214
Management and general	453,857	389,563
Development	<u>58,459</u>	<u>46,618</u>
Total operating expenses	<u>5,893,998</u>	<u>5,658,395</u>
Surplus on government-funded school operations	644,321	104,432
Contributions	72,061	88,880
Investment earnings	<u>19,556</u>	<u>32,132</u>
Change in net assets	735,938	225,444
Net assets:		
Beginning	<u>3,321,748</u>	<u>3,096,304</u>
Ending	<u>\$ 4,057,686</u>	<u>\$ 3,321,748</u>

See accompanying notes to financial statements.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013			2012				
	Program Services	Management and General	Development	Total	Program Services	Management and General	Development	Total
Personnel services	\$ 3,547,343	\$ 221,052	\$ -	\$ 3,768,395	\$ 3,406,352	\$ 186,270	\$ -	\$ 3,592,622
Employee benefits and payroll taxes	753,361	38,263	-	791,624	790,873	43,248	-	834,121
Occupancy	58,296	7,480	-	65,776	51,276	6,831	-	58,107
Consultants	57,248	-	-	57,248	84,125	-	-	84,125
Classroom instructional supplies	183,032	-	-	183,032	229,336	-	-	229,336
Textbook and library books	6,433	-	-	6,433	25,974	-	-	25,974
Curriculum and staff development	145,026	-	-	145,026	114,247	-	-	114,247
Outreach	3,705	-	-	3,705	3,612	-	-	3,612
Trips and admissions	28,134	-	-	28,134	64,628	-	-	64,628
Research and evaluation	30,289	-	-	30,289	18,164	-	-	18,164
After-school and summer school programs	83,027	-	-	83,027	21,000	-	-	21,000
Management fees	409,217	116,919	58,459	584,595	326,327	93,237	46,618	466,182
Accounting and legal fees	-	27,428	-	27,428	-	23,082	-	23,082
Office and technology supplies	-	24,443	-	24,443	-	19,459	-	19,459
Telephone	-	5,739	-	5,739	-	5,346	-	5,346
Postage and shipping	-	4,487	-	4,487	-	5,375	-	5,375
Miscellaneous expenses	27,094	4,213	-	31,307	34,624	4,796	-	39,420
Depreciation	49,477	3,833	-	53,310	51,676	1,919	-	53,595
TOTAL	\$ 5,381,682	\$ 453,857	\$ 58,459	\$ 5,893,998	\$ 5,222,214	\$ 389,563	\$ 46,618	\$ 5,658,395

See accompanying notes to financial statements.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 735,938	\$ 225,444
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss (gain) on investments	8,090	(6,660)
Depreciation	53,310	53,595
Changes in assets and liabilities:		
Grants receivable	(47,662)	(885)
Accounts and interest receivable	3,561	(1,614)
Due from NYCDOE	6,425	(6,425)
Due to/from Beginning with Children Foundation	(45,523)	(35,565)
Accounts payable and accrued expenses	19,584	136,253
Refundable advances	<u>1,691</u>	<u>(20,833)</u>
Net cash provided by operating activities	<u>735,414</u>	<u>343,310</u>
Cash flows from investing activities:		
Purchase of property and equipment	(18,596)	(112,700)
Purchase of investments	(2,000,000)	(1,575,000)
Proceeds from sale of investments	<u>1,350,000</u>	<u>1,153,172</u>
Net cash used in investing activities	<u>(668,596)</u>	<u>(534,528)</u>
Cash used in financing activities:		
Payment for equipment purchase included in accounts payable and accrued expenses	<u>-</u>	<u>(15,951)</u>
Net increase (decrease) in cash and cash equivalents	66,818	(207,169)
Cash and cash equivalents - beginning	<u>894,497</u>	<u>1,101,666</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 961,315</u>	<u>\$ 894,497</u>
Supplemental disclosure of non-cash investing and financing activities:		
Equipment purchase included in accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ 15,951</u>

See accompanying notes to financial statements.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Principal Business Activity

Community Partnership Charter School (the "School") is an education corporation that operates as a charter school in the borough of Brooklyn, New York. On April 4, 2000, the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration. In January 2012, the School was approved for a third five-year renewal of its charter from the Board of Regents of the University of the State of New York, and on July 18, 2012, the School entered into a new charter agreement.

The School's mission is as follows: At the Community Partnership Charter School, families, educators and community members join to create a learning environment that fosters high academic achievement that exceeds the New York State Learning Standards. An enriched curriculum and dynamic partnerships between the School, families and community enable all students to become life-long learners and active citizens who value kindness and respect.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements

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

Recently Adopted Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU 2011-04 amends FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, providing a consistent definition and measurement of fair value as well as similar disclosure requirements between accounting principles generally accepted in the United States of America ("GAAP") and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurement, and expands the FASB ASC 820 disclosure requirements, particularly for Level 3 fair value measurements. ASU 2011-04 was effective for the year beginning July 1, 2012. The adoption of ASU 2011-04 did not have a material effect on the School's financial statements, but did require certain additional disclosures.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Cash and Cash Equivalents

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

Contributions

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

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

Grants and Refundable Advances

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

Contributed Services

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

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

**COMMUNITY PARTNERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date See Note 8 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Net appreciation (depreciation) includes the School's gains and losses on investments bought and sold as well as held during the year.

One financial institution held 100% of the School's investments at June 30, 2013 and 2012. These investments are primarily comprised of certificates of deposit and are FDIC insured.

Property and Equipment

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

Net Assets

Unrestricted net assets are not restricted by donors or donor-imposed restrictions have expired. Board-designated net assets were established by the board of trustees to provide a fiscally prudent reserve for unforeseen facility, personnel and other issues. Temporarily restricted net assets are restricted by donors for a specific purpose or for a specified time period beyond the current fiscal year.

Functional Allocation of Expenses

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

Income Taxes

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

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

COMMUNITY PARTNERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Management has evaluated the School's tax positions and has concluded that the School has taken no uncertain tax positions that require adjustment to the financial statements. Generally, the School is no longer subject to income tax examinations by U.S. federal, state or local taxing authorities for years before 2009.

Fair Value Measurements

FASB ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The School assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in the circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no transfers among Levels 1, 2 and 3 during fiscal years 2013 and 2012.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the School has evaluated subsequent events through October 8, 2013, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 3. RELATED-PARTY TRANSACTIONS

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

As an educational manager to charter schools during the fiscal years ended June 30, 2013 and 2012, the Foundation entered into a Memorandum of Understanding ("MOU") agreement with the School. Pursuant to the terms of the MOU agreement, the School agreed to pay service fees to the Foundation in the amounts of \$584,595 and \$466,182 for the fiscal years ended June 30, 2013 and 2012, respectively. The Foundation supported the School in the areas of leadership and strategy, curriculum and assessment, research and evaluation, business services, compliance, development, technology, communications, outreach, and alumni program management. Amounts due from the Foundation at June 30, 2013 and 2012, were \$53,029 (inclusive of contributions received on behalf of the School) and \$7,506, respectively.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>	<u>Estimated Useful Life</u>
Furniture and fixtures	\$ 147,224	\$ 141,074	5 - 7 years
Computer equipment	277,374	264,928	3 years
Leasehold improvements	<u>19,193</u>	<u>19,193</u>	5 years
	443,791	425,195	
Less: accumulated depreciation	<u>(337,517)</u>	<u>(284,207)</u>	
Property and equipment, net	<u>\$ 106,274</u>	<u>\$ 140,988</u>	

Depreciation expense was \$53,310 and \$53,595 for the years ended June 30, 2013 and 2012, respectively.

NOTE 5. SCHOOL FACILITIES

The School occupies space in public school buildings owned by the NYCDOE located at 241 Emerson Place in Clinton Hill, Brooklyn, and 114 Kosciuszko Street, Brooklyn, which have been made available to the School at no charge.

NOTE 6. EMPLOYEE BENEFIT PLAN

The School maintains a defined contribution plan under Section 401(k) of the Internal Revenue Code covering all eligible employees. Under the plan, the School provides matching contributions. In addition, the School may elect, on a discretionary basis, to contribute a percentage of all qualified employees' compensation to the profit-sharing component of the plan. The amount charged to operations for contributions to these funds was approximately \$72,000 and \$76,000 for the years ended June 30, 2013 and 2012, respectively.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 7. CONTINGENCIES

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE 8. FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the tables below. The valuation techniques are as follows:

- (a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The following tables summarize the School's assets measured at fair value on a recurring basis, categorized by GAAP's valuation hierarchy as of June 30, 2013 and 2012:

Description	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total	Valuation Technique
June 30, 2013:					
Money market fund (included in cash and cash equivalents)	\$ 26,891	\$ -	\$ -	\$ 26,891	(a)
Certificates of deposit (included in investments)	-	3,341,339	-	3,341,339	(b)
Total	\$ 26,891	\$ 3,341,339	\$ -	\$ 3,368,230	
June 30, 2012:					
Money market fund (included in cash and cash equivalents)	\$ 53,840	\$ -	\$ -	\$ 53,840	(a)
Certificates of deposit (included in investments)	-	2,699,429	-	2,699,429	(b)
Total	\$ 53,840	\$ 2,699,429	\$ -	\$ 2,753,269	

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2013 and 2012:

The money market fund is valued at cost plus accrued interest, which approximates fair value.

The certificates of deposits are valued at cost plus accrued interest and unrealized gains (losses), which approximates fair value.



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

To the Board of Trustees
Community Partnership 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 Community Partnership Charter School (the "School") (a nonprofit organization), 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 year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

New York, New York
October 8, 2013


CERTIFIED PUBLIC ACCOUNTANTS