

EXPLORE EXCEED CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2013

FRUCHTER ROSEN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

156 WEST 56<sup>TH</sup> STREET

NEW YORK, NEW YORK 10019

TEL: (212) 957-3600

FAX: (212) 957-3696

INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED UPON PROCEDURES

To the Board of Trustees of Explore Exceed Charter School:

We have performed the procedures identified below, which were agreed to by the management of Explore Exceed Charter School (the "School") and the New York State Education Department ("NYSED") solely to assist the specified parties in evaluating the School's assertion to NYSED that it has maintained compliance with the requirements of the CSP grant and Federal and NYSED guidelines in managing the CSP grant.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specific users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our results are as follows:

Procedure #1: We will obtain the detail of expenditures incurred for the period under review relating to the CSP grant from the School's accounting software and reconcile to the grant revenue recorded by the School. If the CSP grant revenue does not equal the grant expenditures, we will investigate the differences.

Result: No exceptions noted.

Procedure #2: We will obtain the NYSED approved CSP grant award information, including the budget and any amendments, to determine if the revenue and expenditures recorded for the period appear reasonable.

Result: No exceptions noted.

Procedure #3: We will select a sample from the detail of expenditures obtained in Procedure #1.

- a. Payroll – We will select 10 items or 10% of the total number of payroll items charged to the grant, whichever is less.
- b. Other expenses – We will select 10 items or 10% of the total number of items charged to the grant, whichever is less.

- c. Using the above selected items, we will:
- i. Determine if the expenditure is in accordance with the purpose of the grant and that pre-opening expenditures are charged to pre-opening periods.
  - ii. Determine if the expenditure falls into an approved budget category.
  - iii. Determine if the expenditure was charged to the appropriate fiscal period.

Result: No exceptions noted.

Procedure #4: We will obtain FS-25 form(s) submitted to NYSED during the period under review and perform the following:

- a. Trace expenditures selected in Procedure #3 to requests for reimbursement. Determine that items requested for reimbursement had previously been expended or were expended within a month following the request for reimbursement. If items have not yet been requested for reimbursement, inquire of responsible School officials as to the plan for requesting reimbursement, and determine if a receivable is recorded, if appropriate.
- b. If FS-25 forms included amounts on Line 4 (Cash Expenditures Anticipated During Next Month), we will select one FS-25 and determine if funds were expended within 1 month following the date of the request.

Result: We noted one exception on Form FS-25 submitted on March 5, 2013. Funds received totaling \$17,509.81 were not expended within one month following the request for reimbursement.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on Explore Exceed Charter School's compliance with the requirements of the CSP grant. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of Explore Exceed Charter School and the New York State Education Department, and it is not intended to be and should not be used by anyone other than the specified parties.

  
FRUCHTER ROSEN & COMPANY, P.C.  
Certified Public Accountants

New York, New York  
October 17, 2013

FRUCHTER ROSEN & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
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NEW YORK, NEW YORK 10019

TEL: (212) 957-3600  
FAX: (212) 957-3696

October 17, 2013

Audit Committee of the Board of Trustees  
Explore Exceed Charter School  
443 St. Marks Avenue  
Brooklyn, NY 11238

In planning and performing our audit of the financial statements of Explore Exceed Charter School (the "School") as of June 30, 2013 and for the period from September 13, 2011 (inception) to June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing 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.

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

This communication is intended solely for the information and use of management, Board of Trustees, federal, state and local awarding agencies, The Charter Schools Institute of the State University of New York, The State Education Department of the State University of New York, and others within the School, and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate your cooperation and the assistance we received during the course of our audit.

  
FRUCHTER ROSEN & COMPANY, P.C.  
Certified Public Accountants

New York, New York  
October 17, 2013

EXPLORE EXCEED CHARTER SCHOOL  
FINANCIAL STATEMENTS  
JUNE 30, 2013

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## INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES OF  
EXPLORE EXCEED CHARTER SCHOOL

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Explore Exceed Charter School (the "School") (a not-for-profit corporation), 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 (inception) to June 30, 2013, 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 the School as of June 30, 2013, and the changes in its net assets and its cash flows for the period from September 13, 2011 (inception) to June 30, 2013 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 17, 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.

  
FRUCHTER ROSEN & COMPANY, P.C.  
Certified Public Accountants

New York, New York  
October 17, 2013

EXPLORE EXCEED CHARTER SCHOOL  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2013

ASSETS

Current assets:

Cash and cash equivalents	\$ 406,548
Grants and contracts receivable	230,362
Prepaid expenses and other current assets	<u>34,752</u>

Total current assets	<u>671,662</u>
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Other assets:

Property and equipment, net of accumulated depreciation and amortization of \$48,109	249,247
Restricted cash	<u>35,000</u>

Total other assets	<u>284,247</u>
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TOTAL ASSETS	<u><u>\$ 955,909</u></u>
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LIABILITIES AND UNRESTRICTED NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 62,929
Accrued payroll and payroll taxes	283,854
Due to related parties	<u>947</u>

Total current liabilities	<u>347,730</u>
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Unrestricted net assets:

Undesignated	546,179
Board-designated for reserve fund	<u>62,000</u>

Total unrestricted net assets	<u>608,179</u>
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TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	<u><u>\$ 955,909</u></u>
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The accompanying notes are an integral part of the financial statements.

EXPLORE EXCEED CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE PERIOD FROM SEPTEMBER 13, 2011 (INCEPTION) TO JUNE 30, 2013

Operating revenue:	
State and local per pupil operating revenue	\$ 3,527,878
Federal grants	498,380
Federal E-rate	159,671
State and city grants	<u>213,008</u>
Total operating revenue	<u>4,398,937</u>
Operating expenses:	
Program services:	
Regular education	3,187,704
Special education	<u>178,464</u>
Total program services	3,366,168
Supporting services:	
Management and general	<u>594,958</u>
Total operating expenses	<u>3,961,126</u>
Surplus from operations	437,811
Support and other revenue:	
Contributions:	
Foundations	158,000
Other contributions	2,120
Fundraising event	10,156
Interest and other income	<u>92</u>
Total support and other revenue	<u>170,368</u>
Changes in net assets	608,179
Unrestricted net assets - beginning of period	<u>-</u>
Unrestricted net assets - end of period	<u><u>\$ 608,179</u></u>

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

EXPLORE EXCEED CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM SEPTEMBER 13, 2011 (INCEPTION) TO JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 608,179
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization	48,296
Loss on disposal of property and equipment	2,977
Changes in certain assets and liabilities:	
(Increase) in grants and contracts receivable	(230,362)
(Increase) in prepaid expenses and other current assets	(34,752)
(Increase) in restricted cash	(35,000)
Increase in accounts payable and accrued expenses	62,929
Increase in accrued payroll and payroll taxes	283,854
Increase in due to related parties	947
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	707,068
CASH FLOWS FROM INVESTING ACTIVITY	
Purchase of property and equipment	(300,520)
	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	406,548
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<hr/> -
CASH AND CASH EQUIVALENTS - END OF PERIOD	<hr/> <u>\$ 406,548</u>

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

EXPLORE EXCEED CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Explore Exceed Charter School (the “School”) is a New York State, not-for-profit educational corporation that operates a charter school in the borough of Brooklyn, New York. The School was granted a provisional charter on September 13, 2011 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The School was established to provide its students with the academic skills and critical thinking abilities they need to succeed in a college preparatory high school. Furthermore, the School was established to prepare such underserved students for higher education, civic involvement and lifelong success through a structured, caring environment of high academic expectations. Classes commenced in August 2012 and the School provided education to approximately 238 students in kindergarten through third grade during the 2012-2013 academic year.

The School has an agreement with the New York City Department of Education (“NYCDOE”) to use public school open space at no annual cost. The School’s management does not anticipate this agreement will be terminated in the near future. The School is not responsible for rent, utilities, custodial services, and school safety services other than those required over the summer when traditional NYCDOE schools are not in service.

Food and Transportation Services

The New York City Department of Education provides free lunches directly to some of the School’s students. Such costs are not included in these financial statements. The School covers the cost of lunches for children not entitled to the free lunches. The Office of Pupil Transportation provides free transportation to the majority of the students.

Tax Status

The application for tax exempt status is pending review by the IRS. Management anticipates an IRS determination letter stating that the School is exempt from federal income tax. The School is subject to income taxes only on net unrelated business income. The School did not have any net unrelated business income for the period from September 13, 2011(inception) to June 30, 2013.

The School’s accounting policy provides that a tax expense or benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The School has no uncertain tax position resulting in an accrual of tax expense or benefit.

IRS Form 990 filed by the School are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. All Forms 990 filed by the School are subject to examination.

EXPLORE EXCEED CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board (“FASB”) in its Accounting Standards Codification (“ASC”) No. 958-205 which provides guidance for the classification of net assets. The amounts for each of the three classes of net assets are based on the existence or absence of donor-imposed restrictions described as follows:

Unrestricted

Unrestricted net assets of the School are assets whose use has not been restricted by an outside donor or by law. The unrestricted net assets represent the portion of expendable funds that are available for the support of the operations of the School.

Board-designated net assets were established by the Board of Trustees to provide a reserve for unforeseen facility, personnel, and other issues.

Temporarily Restricted

Temporarily restricted net assets are used to differentiate resources, the use of which is restricted by donors or grantors to a specific time or period or for a specific purpose. Temporarily restricted gifts are recorded as additions to temporarily restricted net assets in the period received. When restricted net assets are expended for their stipulated purpose, temporarily restricted net assets become unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

Permanently Restricted

Net assets of the School whose use has been permanently limited by donor-imposed restrictions. Such assets include contributions required to be invested in perpetuity, the income from which is available to support charitable purposes designated by the donors.

The School had no temporarily or permanently restricted net assets at June 30, 2013.

Revenue and Support

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the school’s current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value.

EXPLORE EXCEED CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Support (Continued)

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agencies.

Use of 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 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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments which potentially subject the School to concentrations of credit risk are cash and cash equivalents. The School places its cash and cash equivalents on deposit in what it believes to be highly credited financial institutions. Cash balances may exceed the FDIC insured levels of \$250,000 per institution at various times during the year. The School believes that there is little risk in any losses and has not experienced any losses in such accounts.

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment acquired with certain government funding are recorded as expenses pursuant to the terms of the contract, in which ownership of such property and equipment is retained by the funding source. Maintenance and repairs are expensed as incurred. No depreciation is recorded on construction-in-progress until property and equipment is placed into service. Depreciation and amortization is provided on the straight line method over the estimated useful lives as follows:

Computers and equipment	3 years
Furniture and fixtures	5 years
Software	3 years
Leasehold improvements	33.5 years

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution should it occur.

EXPLORE EXCEED CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Refundable Advances

The School records certain government operating revenue as a refundable advance until related services are performed, at which time they are recognized as revenue.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of federal entitlements and grants. The School expects to collect these receivables within one year.

NOTE 3 - PROPERTY AND EQUIPMENT

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

Computers and equipment	\$ 267,469
Furniture and fixtures	26,878
Software	1,629
Leasehold improvements	<u>1,380</u>
	297,356
Less: Accumulated depreciation and amortization	<u>(48,109)</u>
	<u>\$ 249,247</u>

Depreciation and amortization expense was \$48,296 and loss on disposal of property and equipment was \$2,977 for the period from September 13, 2011 (inception) to June 30, 2013.

NOTE 4 - RELATED PARTY TRANSACTIONS

The School is affiliated with Explore Schools Inc., (“ESI”), a New York State not-for-profit corporation established under the laws of the State of New York on July 31, 2008. ESI supports the School by providing educational models, recruiting, leadership coaching and professional development, start-up funding, and governance and operational support. The School is also affiliated with Explore Charter School (“Explore”) and Explore Empower Charter School (“Empower”) through common management and Explore Excel Charter School (“Excel”) through common board members.

The School entered into an agreement with ESI on July 1, 2012 to provide the School with educational management services and designs. Pursuant to the agreement, ESI is to select and implement educational programs, coaching and professional development to school-based leadership, manage the School’s business administration and support the Board in all governance issues. As compensation to ESI for these services, the School shall pay an annual fee of 11.5% of the School’s per pupil operating revenue. Management fee expense for the period from September 13, 2011 (inception) to June 30, 2013 was \$369,716.

EXPLORE EXCEED CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 4 - RELATED PARTY TRANSACTIONS (Continued)

For operational efficiency and purchasing power, the School shares certain expenses with ESI, Explore, Exceed, and Excel. Following are net shared operational expenses for the years ended June 30,:

ESI	\$ 554,522
Explore	11,180
Empower	335
Excel	<u>188</u>
	<u>\$ 566,225</u>

The net balance due to related parties consisted of the following at June 30, 2013:

ESI	\$ 372
Explore	500
Empower	<u>75</u>
	<u>\$ 947</u>

These balances have been paid in full as of the issuance of this report.

NOTE 5 - CONTINGENCY

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. 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 6 - REVENUE CONCENTRATION

The School receives a substantial portion of its support and revenue from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

NOTE 7 - FUNCTIONAL ALLOCATION OF EXPENSE

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expense includes those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

EXPLORE EXCEED CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 8 - RETIREMENT PLAN

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School will match 50% of employees' elective contributions, not to exceed 10% of the employee's salary. Only employees who have been employed within the network for a period of one year are eligible for the match. Total employer match for the period from September 13, 2011 (inception) to June 30, 2013 was \$3,735.

NOTE 9 - SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through October 17, 2013, the date the financial statements were available to be issued.

FRUCHTER ROSEN & COMPANY, P.C.

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NEW YORK, NEW YORK 10019

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INDEPENDENT AUDITORS' REPORT  
ON ADDITIONAL INFORMATION

TO THE BOARD OF TRUSTEES  
EXPLORE EXCEED CHARTER SCHOOL

We have audited the financial statements of Explore Exceed Charter School as of June 30, 2013 and for the period from September 13, 2011 (inception) to June 30, 2013, and have issued our report thereon dated October 17, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
FRUCHTER ROSEN & COMPANY, P.C.  
Certified Public Accountants

New York, New York  
October 17, 2013

EXPLORE EXCEED CHARTER SCHOOL  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE PERIOD FROM SEPTEMBER 13, 2011 (INCEPTION) TO JUNE 30, 2013

	Regular Education	Special Education	Total Program Service	General and Administrative	Total
Salaries	\$ 1,874,036	\$ 66,841	\$ 1,940,877	\$ 262,953	\$ 2,203,830
Employee benefits and payroll taxes	434,544	15,499	450,043	60,972	511,015
Management fees	230,365	12,125	242,490	127,226	369,716
Audit and accounting	-	-	-	23,850	23,850
Advertising and recruiting	30,763	1,619	32,382	10,017	42,399
Outside services	113,568	18,538	132,106	14,686	146,792
Conferences, meetings and staff development	64,945	3,418	68,363	12,064	80,427
Curriculum and classroom	213,587	34,770	248,357	-	248,357
Student meals	2,067	336	2,403	-	2,403
Student and family services	51,081	8,315	59,396	-	59,396
Insurance	18,472	3,007	21,479	3,790	25,269
Postage and copying	10,586	557	11,143	1,966	13,109
Office supplies	43,513	4,836	48,349	48,346	96,695
Telephone, technology and communications	57,762	3,040	60,802	10,730	71,532
Depreciation and amortization	30,251	4,924	35,175	13,121	48,296
Loss on disposal of property and equipment	-	-	-	2,977	2,977
Miscellaneous	12,164	639	12,803	2,260	15,063
Total	<u>\$ 3,187,704</u>	<u>\$ 178,464</u>	<u>\$ 3,366,168</u>	<u>\$ 594,958</u>	<u>\$ 3,961,126</u>

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

TO THE BOARD OF TRUSTEES OF  
EXPLORE EXCEED 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 Explore Exceed Charter School (the "School"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 17, 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.

TO THE BOARD OF TRUSTEES OF  
EXPLORE EXCEED CHARTER SCHOOL

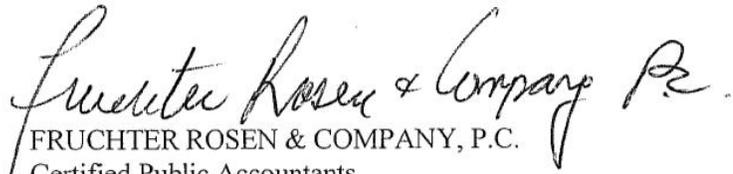
***Compliance and Other Matters***

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*.

We noted certain matter that was reported to the management of the School in a separate letter dated October 17, 2013.

***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.

  
FRUCHTER ROSEN & COMPANY, P.C.  
Certified Public Accountants

New York, New York  
October 17, 2013