

**GIRLS PREPARATORY CHARTER SCHOOL
OF NEW YORK**

NEW YORK, NEW YORK

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

OTHER CONSOLIDATING FINANCIAL INFORMATION

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2011

(With Comparative Totals for 2010)

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MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Girls Preparatory Charter School of New York

We have audited the accompanying consolidated statement of financial position of Girls Preparatory Charter School of New York (the "Organization") as of June 30, 2011, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the consolidated financial statements of Girls Preparatory Charter School of New York as of and for the year ended June 30, 2010, and in our report dated October 15, 2010 we expressed an unqualified opinion on those consolidated financial statements.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Girls Preparatory Charter School of New York as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2011 on our consideration of Girls Preparatory Charter School of New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 14, 2011

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

(With Comparative Totals for 2010)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 179,188	\$ 392,688
Grants and other receivables	243,338	66,773
Prepaid expenses and other current assets	73,979	35,026
Related party receivables	101,020	300,079
Deposit	<u>70,000</u>	<u>-</u>
TOTAL CURRENT ASSETS	667,525	794,566
 <u>PROPERTY AND EQUIPMENT, net</u>	 <u>279,236</u>	 <u>143,986</u>
TOTAL ASSETS	<u>\$ 946,761</u>	<u>\$ 938,552</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 113,530	\$ 73,375
Accrued payroll and benefits	324,930	270,724
Deferred revenue	-	42,452
Related party payable	<u>35,791</u>	<u>791</u>
TOTAL CURRENT LIABILITIES	474,251	387,342
 <u>NET ASSETS</u>		
Unrestricted	472,510	525,727
Temporarily restricted	<u>-</u>	<u>25,483</u>
TOTAL NET ASSETS	<u>472,510</u>	<u>551,210</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 946,761</u>	<u>\$ 938,552</u>

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

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)

	Year ended June 30,			
	2011			2010
	Unrestricted	Temporarily restricted	Total	Total
Operating revenue and support:				
State and local per pupil				
operating revenue	\$ 5,416,320	\$ -	\$ 5,416,320	\$ 3,291,571
Federal grants	194,238	-	194,238	175,533
State and local grants	176,794	-	176,794	36,107
Foundations	39,600	-	39,600	252,128
Individuals and corporations	11,248	-	11,248	66,092
Donated supplies and materials	83,200	-	83,200	-
Interest income	253	-	253	3,036
Net assets released from restrictions	25,483	(25,483)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	5,947,136	(25,483)	5,921,653	3,824,467
Expenses:				
Program:				
Regular education	4,156,774	-	4,156,774	3,063,168
Special education	1,022,843	-	1,022,843	278,359
Management and general	815,720	-	815,720	525,587
Fundraising and special events	5,016	-	5,016	2,329
TOTAL EXPENSES	6,000,353	-	6,000,353	3,869,443
CHANGE IN NET ASSETS	(53,217)	(25,483)	(78,700)	(44,976)
Net assets at beginning of year	525,727	25,483	551,210	596,186
NET ASSETS AT END OF YEAR	\$ 472,510	\$ -	\$ 472,510	\$ 551,210

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

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)

	Year ended June 30,							2010
	2011			2011			Total	
	Program Services		Sub-total	Supporting Services		Sub-total		
Regular Education	Special Education	Management and general		Fundraising and special events				
Personnel services costs:								
Administrative staff personnel	\$ 224,556	\$ 28,377	\$ 252,933	\$ 267,280	\$ -	\$ 267,280	\$ 520,213	\$ 441,467
Instructional personnel	1,695,330	539,181	2,234,511	16,784	-	16,784	2,251,295	1,688,461
Non-instructional personnel	105,957	11,704	117,661	184,717	-	184,717	302,378	198,593
Total personnel services costs	2,025,843	579,262	2,605,105	468,781	-	468,781	3,073,886	2,328,521
Fringe benefits and payroll taxes	369,787	105,736	475,523	85,569	-	85,569	561,092	449,244
Retirement	52,652	15,055	67,707	12,184	-	12,184	79,891	95,904
Management company fees	401,526	44,921	446,447	50,163	5,016	55,179	501,626	232,929
Legal services	-	-	-	1,567	-	1,567	1,567	6,391
Accounting and auditing services	-	-	-	19,234	-	19,234	19,234	20,035
Other professional and consulting services	-	-	-	30,319	-	30,319	30,319	114,366
Building rent and lease	333,606	96,038	429,644	75,820	-	75,820	505,464	5,431
Insurance	19,665	5,661	25,326	4,469	-	4,469	29,795	24,631
Classroom supplies and materials	340,821	42,176	382,997	-	-	-	382,997	203,672
Equipment and furnishings	16,852	2,741	19,593	1,079	-	1,079	20,672	19,278
Staff development	109,378	14,323	123,701	1,054	-	1,054	124,755	62,072
Marketing and recruiting	8,524	954	9,478	-	-	-	9,478	21,063
Technology	2,048	492	2,540	317	-	317	2,857	360
Food service	2,214	247	2,461	-	-	-	2,461	2,618
Student services	200,248	36,471	236,719	1,973	-	1,973	238,692	123,997
Office expense	28,486	8,200	36,686	7,018	-	7,018	43,704	37,544
Telephone and internet	19,067	5,489	24,556	4,333	-	4,333	28,889	16,033
Copier lease	27,714	7,978	35,692	6,299	-	6,299	41,991	11,760
Depreciation and amortization	198,343	57,099	255,442	45,541	-	45,541	300,983	93,594
	<u>\$ 4,156,774</u>	<u>\$ 1,022,843</u>	<u>\$ 5,179,617</u>	<u>\$ 815,720</u>	<u>\$ 5,016</u>	<u>\$ 820,736</u>	<u>\$ 6,000,353</u>	<u>\$ 3,869,443</u>

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

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)

	<u>Year ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (78,700)	\$ (44,976)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Donated stock	-	(206,402)
Depreciation and amortization	300,983	93,594
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(176,565)	7,624
Prepaid expenses and other current assets	(38,953)	(7,619)
Deposit	(70,000)	-
Accounts payable and accrued expenses	40,155	267
Accrued payroll and benefits	54,206	(19,554)
Deferred revenue	(42,452)	42,452
	<u>(11,326)</u>	<u>(134,614)</u>
NET CASH USED FOR OPERATING ACTIVITIES	(11,326)	(134,614)
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(436,233)	(86,513)
Sales of investment securities	-	206,402
	<u>(436,233)</u>	<u>119,889</u>
NET CASH (USED FOR) PROVIDED FROM INVESTING ACTIVITIES	(436,233)	119,889
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Decrease (increase) in related party receivables	199,059	(229,905)
Increase in related party payable	35,000	791
	<u>234,059</u>	<u>(229,114)</u>
NET CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES	234,059	(229,114)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(213,500)	(243,839)
Cash and cash equivalents at beginning of year	<u>392,688</u>	<u>636,527</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 179,188</u>	<u>\$ 392,688</u>

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

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

The accompanying consolidated financial statements include the accounts of Girls Preparatory Charter School of New York (the "School") and Friends of Girls Preparatory Charter School of New York, Inc. ("Friends"), (collectively referred to as the "Organization"). The Organizations are presenting consolidated financial statements because they have a common Board of Trustees and economic interest. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

The Organization

The School is an educational corporation that operates as a charter school in the borough of Manhattan, New York. On March 23, 2004, 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. During the current year, the School obtained a renewal through July 31, 2015. The School was established to prepare underserved elementary and middle school students for higher education, civic involvement and lifelong success through a structured, caring environment of high academic expectations.

Friends was organized under the laws of the State of New York on September 30, 2003 as a not-for-profit corporation under subparagraph (a)(5) of Section 102 of the Not-For-Profit Corporation Law. Friends was established to create a plan for a charter school in New York City, drafting and revising an application for such a charter, fund-raising, searching for and developing a site, and hiring administrative and teaching personnel.

Financial Statement presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets at June 30, 2011 or 2010.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. There were \$25,483 of temporarily restricted net assets at June 30, 2010 restricted for a specific purpose. There were no temporarily restricted net assets at June 30, 2011.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

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

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

Revenue and support recognition

Revenue from state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the School when qualifying expenditures are incurred and billable.

Contributions are recognized as revenue in the year the pledge is received and documented.

Contributions

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

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

Cash and cash equivalents

The Organization maintains its cash balances at certain financial institutions located in New York. Cash and certain money market account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. In addition, certain non-interest bearing transaction accounts at the financial institutions are 100% insured through December 31, 2012. In the normal course of business, the interest bearing account balances at any given time may exceed insured limits. However, the Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2011 or 2010.

Property and equipment

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

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

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

Tax exempt status

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

The Organizations have filed for and received income tax exemptions in the various jurisdictions where they are required to do so. The School and Friends file Form 990 tax returns in the U.S. federal jurisdiction and Friends files in New York State. With few exceptions, as of June 30, 2011, the Organizations are no longer subject to U.S. federal or state income tax examinations by tax authorities for years ended before June 30, 2008. Years ended June 30, 2008 through June 30, 2011 are still subject to potential audit by the IRS and the taxing authorities in New York State. The Organizations adopted the provisions of FASB ASC 740-10 *Accounting for Uncertainty in Income Taxes* and its related amendment on July 1, 2009. Management of the Organizations believe they have no material uncertain tax positions and, accordingly, will not recognize any liability for unrecognized tax benefits.

Contributed services

The Organization receives contributed services from volunteers to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed.

Marketing and recruiting costs

The Organization expenses marketing and recruiting costs as they are incurred. Total marketing and recruiting costs approximated \$9,500 and \$21,100 for the years ended June 30, 2011 and 2010, respectively.

Deferred revenue

The Organization records grant revenue as deferred revenue until it is expensed for the purpose of the grant, at which time it is recognized as revenue.

Use of estimates in the preparation of consolidated financial statements

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparatives for year ended June 30, 2010

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Reclassifications

Certain 2010 amounts have been reclassified to conform with the 2011 presentation.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

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

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 14, 2011, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: RELATED PARTY TRANSACTIONS

The Organization has related party receivables from or payables to three related organizations, Girls Preparatory Charter School of the Bronx located in Bronx, New York, Public Preparatory Network, Inc., and Boys Preparatory Charter School which is still being organized. Public Preparatory Network, Inc. manages the operations of the Organization. Girls Preparatory Charter School of the Bronx has common Board members on its Board of Trustees. The receivables relate to start-up costs of these organizations that were paid by the Organization. Boys Preparatory Charter School has common Board members on its Board of Trustees, and the amount due to Boys Preparatory Charter School is a start-up grant to help the Charter School organize.

Public Preparatory Network, Inc., a not-for-profit organization provides management and other administrative support services to the organization. The Organization entered into an annual agreement with Public Preparatory Network, Inc., dated August 12, 2009, under which the Organization pays a service fee of a set percentage of the year end student enrollments full time equivalents at the school multiplied by the approved per pupil operating expenses for the school year. For the years ended June 30, 2011 and 2010, the percentage for the elementary school (grades K-4) was 10% and 7%, respectively and the percentage for the middle school (grades 5 and 6) was 10%. The agreement is renewable annually. The fee incurred for the years ended June 30, 2011 and 2010 was \$501,626 and \$232,929 respectively.

Amounts due from these related parties were as follows:

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Due from Public Preparatory Network, Inc.	\$ 101,020	\$ 297,819
Due from Girls Preparatory Charter School of the Bronx	<u>-</u>	<u>2,260</u>
	<u>\$ 101,020</u>	<u>\$ 300,079</u>

Amounts due to these related parties were as follows:

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Due to Girls Preparatory Charter School of the Bronx	\$ 791	\$ 791
Due to Boys Preparatory Charter School	<u>35,000</u>	<u>-</u>
	<u>\$ 35,791</u>	<u>\$ 791</u>

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

NOTE C: SCHOOL FACILITY

As part of the New York City Chancellor's Charter School Initiative, the New York City Department of Education has committed space to the Organization at no charge under a verbal agreement. During the 2010-11 school year, the middle school rented space from an unrelated third party as a Department of Education facility was not available. Rent expense totaled approximately \$376,000 for the year ended June 30, 2011 and a security deposit of \$70,000 was paid by the Organization relative to this lease. The middle school has relocated to a Department of Education facility for the 2011-12 year.

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Furniture and fixtures	\$ 189,429	\$ 104,337
Equipment	203,017	149,669
Computer equipment	309,477	187,681
Web development	5,250	5,250
Leasehold improvements	<u>7,009</u>	<u>-</u>
	714,182	446,937
Less accumulated depreciation and amortization	<u>434,946</u>	<u>302,951</u>
	<u>\$ 279,236</u>	<u>\$ 143,986</u>

NOTE E: OPERATING LEASES

The Organization leases office equipment under non-cancelable lease agreements expiring at various dates through September 2015. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2012	\$ 27,251
2013	22,022
2014	20,976
2015	19,796
2016	<u>2,746</u>
	<u>\$ 92,791</u>

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

NOTE F: RETIREMENT PLAN

The Organization sponsors a defined contribution 403(b) plan covering all regular employees. The Organization matches employees' contributions up to 5% of base salary. The Organization's total contribution to the Plan for the years ended June 30, 2011 and 2010 was \$79,891 and \$95,904, respectively.

NOTE G: CONTINGENCY

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

NOTE H: CONCENTRATION

At June 30, 2011 and 2010, approximately 100% and 91%, respectively, of grants and other receivables are due from the New York State Department of Education relating to certain grants.

During the years ended June 30, 2011 and 2010, 91% and 86%, respectively of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

OTHER CONSOLIDATING FINANCIAL INFORMATION



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING FINANCIAL INFORMATION

Board of Trustees
Girls Preparatory Charter School of New York

Our report on our audit of the consolidated financial statements of Girls Preparatory Charter School of New York as of June 30, 2011 and for the year then ended appears on page 3. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating financial information hereinafter is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 14, 2011

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

<u>ASSETS</u>	Girls Preparatory Charter School of New York	Friends of Girls Preparatory Charter School of New York, Inc.	Eliminations	Total
<u>CURRENT ASSETS</u>				
Cash and cash equivalents	\$ 38,289	\$ 140,899	\$ -	\$ 179,188
Grants and other receivables	243,338	-	-	243,338
Prepaid expenses and other current assets	73,979	-	-	73,979
Related party receivables	101,020	-	-	101,020
Deposits	70,000	-	-	70,000
TOTAL CURRENT ASSETS	<u>526,626</u>	<u>140,899</u>	<u>-</u>	<u>667,525</u>
<u>PROPERTY AND EQUIPMENT, net</u>	<u>279,005</u>	<u>231</u>	<u>-</u>	<u>279,236</u>
TOTAL ASSETS	<u>\$ 805,631</u>	<u>\$ 141,130</u>	<u>\$ -</u>	<u>\$ 946,761</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 113,530	\$ -	\$ -	\$ 113,530
Accrued payroll and benefits	324,930	-	-	324,930
Related party payable	-	35,791	-	35,791
TOTAL CURRENT LIABILITIES	<u>438,460</u>	<u>35,791</u>	<u>-</u>	<u>474,251</u>
<u>NET ASSETS</u>				
Unrestricted	367,171	105,339	-	472,510
Temporarily restricted	-	-	-	-
TOTAL NET ASSETS	<u>367,171</u>	<u>105,339</u>	<u>-</u>	<u>472,510</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 805,631</u>	<u>\$ 141,130</u>	<u>\$ -</u>	<u>\$ 946,761</u>

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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

Board of Trustees
Girls Preparatory Charter School of New York

We have audited the consolidated financial statements of Girls Preparatory Charter School of New York (the "Organization") as of and for the year ended June 30, 2011 and have issued our report thereon dated October 14, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Girls Preparatory Charter School of New York's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Girls Preparatory Charter School of New York's consolidated financial statements are free of 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 matters that we reported to management of Girls Preparatory Charter School of New York in a separate letter dated October 14, 2011.

This report is intended solely for the information and use of the Board of Trustees, management, 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 Organization and is not intended to be and should not be used by anyone other than these specified parties.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 14, 2011