

HARLEM DAY CHARTER SCHOOL
(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

HARLEM DAY CHARTER SCHOOL
(A Not-For-Profit Corporation)
FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES
HARLEM DAY CHARTER SCHOOL

We have audited the accompanying statement of financial position of Harlem Day Charter School (the "School") (a not-for-profit corporation) as of June 30, 2011, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The 2010 financial statements were audited by other auditors whose report dated October 29, 2010 expressed an unqualified opinion on those 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 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. An audit also includes 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 financial statements referred to above present fairly, in all material respects, the financial position of the School 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 24, 2011 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 on 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 read in conjunction with this report in considering the results of our audit.


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

New York, New York
October 24, 2011

HARLEM DAY CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,822,118	\$ 2,567,387
Grants and contracts receivable	319,563	126,773
Prepaid expenses	43,383	70,281
Total current assets	2,185,064	2,764,441
Property and equipment, net of accumulated depreciation and amortization of \$3,618,886 and \$3,259,801, respectively	3,148,603	3,483,904
TOTAL ASSETS	\$ 5,333,667	\$ 6,248,345
 LIABILITIES AND UNRESTRICTED NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 141,721	\$ 184,599
Accrued payroll and payroll taxes	347,666	423,844
Refundable advances	199,131	-
Due to related party	210,000	-
Total current liabilities	898,518	608,443
Deferred rent	316,899	359,345
Total liabilities	1,215,417	967,788
Unrestricted net assets	4,118,250	5,280,557
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$ 5,333,667	\$ 6,248,345

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

HARLEM DAY CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2011			2010
	Unrestricted	Temporarily Restricted	Total	
Revenue and support:				
State and local per pupil operating revenue	\$ 3,607,418	\$ -	\$ 3,607,418	\$ 3,274,572
Federal grants	290,243	-	290,243	334,012
State and city grants	20,584	-	20,584	13,800
Contributions and grants	86,576	410,000	496,576	722,145
Donated facility	28,952	-	28,952	25,872
Interest and other income	709	-	709	12,444
Net assets released from restrictions - satisfaction of purpose restriction	410,000	(410,000)	-	-
 Total revenue and support	 4,444,482	 -	 4,444,482	 4,382,845
Expenses:				
Program services:				
Regular education	4,211,214	-	4,211,214	3,719,007
Special education	347,367	-	347,367	474,449
Other program	218,294	-	218,294	383,877
Total program services	4,776,875	-	4,776,875	4,577,333
Supporting services:				
Management and general	810,707	-	810,707	1,009,818
Fundraising	19,207	-	19,207	21,773
 Total expenses	 5,606,789	 -	 5,606,789	 5,608,924
Changes in net assets	(1,162,307)	-	(1,162,307)	(1,226,079)
Net assets - beginning of year	5,280,557	-	5,280,557	6,506,636
Net assets - end of year	\$ 4,118,250	\$ -	\$ 4,118,250	\$ 5,280,557

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

HARLEM DAY CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,162,307)	\$ (1,226,079)
Adjustments to reconcile changes in net assets to net cash (used in) operating activities:		
Depreciation and amortization	359,085	379,319
Loss on disposal of assets	-	724
Changes in certain assets and liabilities:		
(Increase) Decrease in grants and contracts receivables	(192,790)	97,187
Decrease in prepaid expenses	26,898	2,212
(Decrease) Increase in accounts payable and accrued expenses	(42,878)	96,679
(Decrease) in accrued payroll and payroll taxes	(76,178)	-
Increase in refundable advances	199,131	-
Increase in due to related party	210,000	-
(Decrease) Increase in deferred rent	(42,446)	12,984
	(721,485)	(636,974)
NET CASH (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property and equipment	(23,784)	(214,621)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(745,269)	(851,595)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,567,387	3,418,982
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,822,118	\$ 2,567,387

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

HARLEM DAY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Nature of Organization

Harlem Day Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on May 14, 2001 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on May 14, 2001 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. During 2011, the Regents extended the charter through July 31, 2016. The Charter School offers parents a free alternative to the public school system as provided by the New York State Charter School law. The School offers classroom instruction and programs that encourage and foster creativity and team planning while meeting the New York State educational standards. Classes commenced in New York, in September 2001 and the School provided education to approximately 249 students in kindergarten through fifth grade during the 2010-2011 academic year.

Food and Transportation

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 unreimbursed 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 during the district's school days.

Tax Status

The School is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii). The School is subject to income taxes only on net unrelated business income. The School did not have any unrelated business income for the years ended June 30, 2011 and 2010.

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 positions resulting in an accrual of tax expense or benefit.

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:

HARLEM DAY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

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.

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

Permanently restricted net assets are those contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled or otherwise removed by actions of the School. The income derived from these permanently restricted funds is usually classified as unrestricted and can be used for the general purpose of the School.

The School has no temporarily or permanently restricted net assets at June 30, 2011 and 2010.

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 at the date of donation.

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 agency.

HARLEM DAY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

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 statements 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. Maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding, whereas the government agency retains legal title to the long lived asset is expensed as incurred. 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
Leasehold improvements	Useful life or related lease

Refundable Advances

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

For the year ended June 30, 2011, the School received an erroneous payment from the NYC Department of Education in the amount of \$194,169 which was paid back subsequent to the balance sheet date.

HARLEM DAY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Deferred Rent

The School records its rent in accordance with FASB ASC 840-2 whereby all rental payments, including fixed rent increases are recognized on a straight-line basis as an offset to rent expense. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentives, is reflected in the deferred rent in the accompanying financial statements.

Comparative Financial Information

The accompanying statements of activities and functional expenses are presented with summarized comparative information. Such prior year information is not presented by net asset class in the statement of activities or by functional category in the statement of functional expenses. Accordingly, such information should be read in conjunction with the School's 2010 financial statements from which the summarized information was derived.

Reclassifications

Certain 2010 accounts have been reclassified to conform to the 2011 financial statement presentation. The reclassifications have no effect on 2010 total assets, liabilities, net assets and change in net assets.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

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

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30,:

	<u>2011</u>	<u>2010</u>
Computers and equipment	\$ 533,033	\$ 533,033
Furniture and fixtures	195,021	184,262
Leasehold improvements	<u>6,039,435</u>	<u>6,026,410</u>
	6,767,489	6,743,705
Less: Accumulated depreciation and amortization	<u>(3,618,886)</u>	<u>(3,259,801)</u>
	<u>\$3,148,603</u>	<u>\$3,483,904</u>

Depreciation and amortization expense was \$359,085 and \$379,319 for the years ended June 30, 2011 and 2010, respectively.

HARLEM DAY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 5 - RELATED PARTY TRANSACTIONS

The School is related to Democracy Prep Public Schools (“DPPS”), a New York State not-for-profit charter management organization. Pursuant to a management agreement dated May 15, 2011, DPPS provided governance and operational support to the School. For the year ended June 30, 2011, the School incurred \$345,000 of expenses payable to DPPS for transitional consulting services prior to the agreement. The balance due to DPPS was \$210,000 for the year ended June 30, 2011. The amount was paid prior to the issuance of this report.

NOTE 6 - COMMITMENTS

School Facility

On June 4, 2001, the School entered into a non-cancelable operating lease for office and instructional space that expired on June 30, 2011, with a renewal option for an additional 5 years. The School exercised its option until June 30, 2016. The base rent for the renewal term increased by the percentage change in the CPI index from June 2008 to June 30, 2011, but in no event the CPI index increased or decreased by more than 6%.

On June 1, 2005, the School entered into a non-cancelable operating lease for additional office and instructional space expiring on June 30, 2021, with a renewal option for an additional 10 years.

The future minimum lease payments under the two operating leases are as follows:

For the year ending June 30, 2012	\$	205,140
2013		205,140
2014		205,140
2015		205,140
2016		224,865
Thereafter		<u>1,222,950</u>
		<u>\$ 2,268,375</u>

The School recognizes rent expense on a straight-line basis over the term of the lease. Rent expense in excess of payments is recorded as deferred rent in the accompanying statements of financial position. Rent expense was \$344,234 for the years ended June 30, 2011 and 2010, respectively.

HARLEM DAY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 6 - COMMITMENTS (Continued)

Leased Equipment

The School leases office equipment under non-cancelable lease agreements expiring through 2016.

The future minimum lease payments are as follows:

For the year ending June 30, 2012	\$	32,232
2013		27,468
2014		27,468
2015		21,018
2016		1,112
	\$	109,298

Equipment rental expense was \$48,312 and \$32,952 for the years ended June 30, 2011 and 2010, respectively.

NOTE 7 - 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 8 - 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 9 - 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.

HARLEM DAY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 10 - DONATED FACILITY

Donated services are recognized as contributions in accordance with FASB ASC 605, "Accounts for Contributions Received and Contributions Made", if the services (a) create or enhance non-financial assets of (b) require specialized skills, are performed by people with those skills, and would otherwise be purchases by the School.

The School received extended use of storage space at no charge. The value of this storage space meets the criteria for recognition in the financial statements and was recorded at fair market value of \$28,952 and \$25,872 for the years ended June 30, 2011 and 2010, respectively.

NOTE 11 - RETIREMENT PLAN

The School maintains a retirement plan qualified under Internal Revenue Code 403(b) for the benefit of its eligible employees. Under the plan, the School will match employee contributions up to 3% of eligible compensation. The amount charged for matching contributions to this plan was \$25,680 and \$32,300 for the years ended June 30, 2011 and 2010, respectively. In addition, the amount charged to operations for administrative fees under the plan amounted to \$5,000 and \$3,640 for the years ended June 30, 2011 and 2010, respectively.

NOTE 12 - SUBSEQUENT EVENTS

Effective July 1, 2011, the educational program of Harlem Day Charter School was closed and taken over by Democracy Preparatory Public School ("DPPS"), a New York State not-for-profit charter management organization. The School also changed its name to Harlem Prep Charter School.

On August 1, 2011, the School entered into a management agreement with DPPS to assume responsibility for the School's educational process, management, and operations. As compensation to DPPS for these services rendered, the School shall pay to DPPS an annual fee equal to 15% of the School's non-competitive public revenue. The agreement is for 2 years beginning July 1, 2011 and ending on July 30, 2013.

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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

TO THE BOARD OF TRUSTEES
HARLEM DAY CHARTER SCHOOL

Our report on our audit of the basic financial statement of Harlem Day Charter School (a not-for-profit corporation) as of June 30, 2011, appears on Page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.


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

New York, New York
October 24, 2011

HARLEM DAY CHARTER SCHOOL
(A Not-For-Profit Corporation)
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30,

	2011							2010
	Program Services				Supporting Services			
	Regular Education	Special Education	Other Program	Total	Management and General	Fundraising	Total	
Personnel services costs								
Administrative staff personnel	\$ 139,973	\$ 19,490	\$ -	\$ 159,463	\$ 341,472	\$ 8,415	\$ 509,350	\$ 330,906
Instructional personnel	1,751,381	66,776	-	1,818,157	30,808	3,423	1,852,388	2,290,408
Non-instructional personnel	415,876	66,278	120,378	602,532	-	-	602,532	414,312
Total salaries and staff	<u>2,307,230</u>	<u>152,544</u>	<u>120,378</u>	<u>2,580,152</u>	<u>372,280</u>	<u>11,838</u>	<u>2,964,270</u>	<u>3,035,626</u>
Fringe benefits and payroll taxes	609,406	40,291	31,795	681,492	98,329	3,127	782,948	702,347
Retirement	19,988	1,322	1,042	22,352	3,225	103	25,680	32,276
Legal services	-	-	-	-	38,430	-	38,430	4,109
Accounting/Audit services	-	-	-	-	12,860	-	12,860	56,314
Other purchased/Professional/Consulting services	365,671	46,628	12,859	425,158	135,092	200	560,450	476,821
Building and land rent/Lease	288,093	19,048	15,031	322,172	49,537	1,477	373,186	370,106
Repairs and maintenance	61,819	8,608	-	70,427	7,043	783	78,253	85,345
Insurance	33,395	4,650	-	38,045	4,227	-	42,272	39,377
Utilities	29,608	4,555	-	34,163	3,796	-	37,959	40,080
Supplies and materials	39,713	5,712	1,307	46,732	4,673	519	51,924	48,842
Equipment/Furnishings	-	-	-	-	593	-	593	4,745
Staff development	42,245	-	-	42,245	7,867	-	50,112	71,059
Marketing/Recruitment	17,075	-	-	17,075	-	-	17,075	12,611
Technology	25,988	3,619	-	29,607	2,961	329	32,897	30,987
Food service	8,879	-	-	8,879	760	-	9,639	10,394
Student services	38,023	18,356	28,700	85,079	966	-	86,045	99,688
Office expense	-	-	-	-	27,149	274	27,423	44,582
Depreciation	280,087	35,908	7,182	323,177	35,908	-	359,085	379,319
Other	43,994	6,126	-	50,120	5,011	557	55,688	64,296
Total	<u>\$ 4,211,214</u>	<u>\$ 347,367</u>	<u>\$ 218,294</u>	<u>\$ 4,776,875</u>	<u>\$ 810,707</u>	<u>\$ 19,207</u>	<u>\$ 5,606,789</u>	<u>\$ 5,608,924</u>

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

TO THE BOARD OF TRUSTEES
HARLEM DAY CHARTER SCHOOL

We have audited the financial statement of Harlem Day Charter School (“the School”) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 24, 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 the School’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School’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 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 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 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.

TO THE BOARD OF TRUSTEES
HARLEM DAY CHARTER SCHOOL

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's 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 the management of the School in a separate letter dated October 24, 2011.

This report 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.


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

New York, New York
October 24, 2011