

HARLEM PREP CHARTER SCHOOL  
(F/K/A HARLEM DAY CHARTER SCHOOL)

(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

HARLEM PREP CHARTER SCHOOL  
(F/K/A HARLEM DAY CHARTER SCHOOL)  
(A Not-For-Profit Corporation)  
FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES  
HARLEM PREP CHARTER SCHOOL  
(F/K/A HARLEM DAY CHARTER SCHOOL)

We have audited the accompanying statement of financial position of Harlem Prep Charter School (F/K/A Harlem Day Charter School) (the "School") (a not-for-profit corporation) as of June 30, 2012, 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 prior period summarized comparative information has been derived from the School's 2011 financial statements and, in our report dated October 24, 2011, we 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, 2012, 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 25, 2012 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 25, 2012

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

	2012	2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,717,691	\$ 1,822,118
Grants and contracts receivable	244,922	319,563
Prepaid expenses	40,975	43,383
Due from related parties	48,150	-
Total current assets	2,051,738	2,185,064
Property and equipment, net of accumulated depreciation and amortization of \$3,973,720 and \$3,618,886, respectively	2,860,771	3,148,603
Restricted cash	70,042	-
<b>TOTAL ASSETS</b>	<b>\$ 4,982,551</b>	<b>\$ 5,333,667</b>
 <b>LIABILITIES AND UNRESTRICTED NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 185,087	\$ 141,721
Accrued payroll and payroll taxes	214,418	347,666
Refundable advances	-	199,131
Due to related parties	-	210,000
Total current liabilities	399,505	898,518
Deferred rent	303,236	316,899
Total liabilities	702,741	1,215,417
Unrestricted net assets	4,279,810	4,118,250
<b>TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS</b>	<b>\$ 4,982,551</b>	<b>\$ 5,333,667</b>

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

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

	2012	2011
Revenue and support:		
State and local per pupil operating revenue	\$ 4,106,456	\$ 3,607,418
Federal grants	391,263	290,243
State and city grants	25,829	20,584
Contributions and grants	215,561	496,576
Donated facility	-	28,952
Fundraising	108,151	500
Interest and other income	2,460	209
	4,849,720	4,444,482
Expenses:		
Program services:		
Regular education	3,416,614	4,211,214
Special education	352,867	347,367
Other program	10,305	218,294
Total program services	3,779,786	4,776,875
Supporting services:		
Management and general	887,676	810,707
Fundraising	20,698	19,207
	4,688,160	5,606,789
Changes in net assets	161,560	(1,162,307)
Unrestricted net assets - beginning of year	4,118,250	5,280,557
Unrestricted net assets - end of year	\$ 4,279,810	\$ 4,118,250

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

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

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 161,560	\$ (1,162,307)
Adjustments to reconcile changes in net assets to net cash (used in) operating activities:		
Depreciation and amortization	354,834	359,085
Changes in certain assets and liabilities:		
Decrease (Increase) in grants and contracts receivables	74,641	(192,790)
Decrease in prepaid expenses	2,408	26,898
(Increase) in due from related parties	(48,150)	-
(Increase) in restricted cash	(70,042)	-
Increase (Decrease) in accounts payable and accrued expenses	43,366	(42,878)
(Decrease) in accrued payroll and payroll taxes	(133,248)	(76,178)
(Decrease) Increase in refundable advances	(199,131)	199,131
Increase (Decrease) in due to related parties	(210,000)	210,000
(Decrease) in deferred rent	(13,663)	(42,446)
	(37,425)	(721,485)
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Purchase of property and equipment	(67,002)	(23,784)
	(67,002)	(23,784)
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(104,427)	(745,269)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	1,822,118	2,567,387
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,717,691	\$ 1,822,118

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

HARLEM PREP CHARTER SCHOOL  
(F/K/A HARLEM DAY CHARTER SCHOOL)  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

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

Nature of Organization

Harlem Prep Charter School (F/K/A 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 269 students in kindergarten through fifth grade during the 2011-2012 academic year.

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.

Food and Transportation

For the year ended June 30, 2012, the School retained an outside vendor to provide meals for students in which the School receives Federal and New York State reimbursements. 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, 2012 and 2011.

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.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

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

Tax Status (continued)

IRS forms 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. Forms 990 filed by the School are no longer subject to examination for the fiscal years ended June 30, 2008 and prior.

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.

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, 2012 and 2011.

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.



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JUNE 30, 2012 AND 2011

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 agency.

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.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

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

Refundable Advances (continued)

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.

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 2011 financial statements from which the summarized information was derived.

Reclassifications

Certain 2011 accounts have been reclassified to conform to the 2012 financial statement presentation. The reclassifications have no effect on 2011 total assets, liabilities, net assets and change in net assets.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of federal, state 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,:

	2012	2011
Computers and equipment	\$ 591,532	\$ 533,033
Furniture and fixtures	198,224	195,021
Leasehold improvements	6,044,735	6,039,435
	6,834,491	6,767,489
Less: Accumulated depreciation and amortization	3,973,720	3,618,886
	\$ 2,860,771	\$ 3,148,603

HARLEM PREP CHARTER SCHOOL  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

NOTE 3 - PROPERTY AND EQUIPMENT (Continued)

Depreciation and amortization expense was \$354,834 and \$359,085 for the years ended June 30, 2012 and 2011, respectively.

NOTE 4 - RELATED PARTY TRANSACTIONS

The School is an affiliate of 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 years ended June 30, 2011, the School incurred \$345,000 of expenses payable to DPPS for transitional consulting services prior to the management agreement.

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 two years beginning July 1, 2011 and ending on July 31, 2013. For the years ended June 30, 2012 and 2011, the School incurred \$432,496 and \$-0- in management fees, respectively.

For operational efficiency and purchasing power, the School also shares expenses with Democracy Preparatory Charter School (“DPCS”) and Democracy Prep Harlem Charter School (“DPH”), both New York State not-for-profit organizations and managed by DPPS.

For the years ended June 30, 2012 and 2011, DPCS billed the School for net shared operational expenses amounting to \$66,272 and \$-0-, respectively.

For the years ended June 30, 2012 and 2011, DPH billed the School for net shared operational expenses amounting to \$8,830 and \$-0-, respectively.

In addition, the School shares and pays for salaries and other expenses on behalf of DPCS in the amount of \$40,175 and \$-0- for the years ended June 30, 2012 and 2011, respectively.

The School is an affiliate of Democracy Builders, Inc. (“DBI”), a 501(c)(4) national advocacy organization that organizes parents to advocate for better school choices and educational outcomes for the children in their communities. The School entered into a consulting agreement with DBI to conduct charitable, scientific and educational activities. For the years ended June 30, 2012 and 2011 the School incurred \$75,000 and \$-0- in consulting fees, respectively.

HARLEM PREP CHARTER SCHOOL  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

NOTE 4 - RELATED PARTY TRANSACTIONS (Continued)

Balance due to (from) related parties consisted of the following at June 30,:

	2012	2011
DPPS	\$ (157,840)	\$ 210,000
DPCS	87,498	-
DBI	13,750	-
DPH	8,442	-
Net amounts due to (from) related parties	\$ (48,150)	\$ 210,000

NOTE 5 - 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.

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,	2013	\$ 400,370
	2014	400,370
	2015	400,370
	2016	420,095
	2017	244,590
	Thereafter	978,360
		\$ 2,844,155

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 \$392,741 and \$344,234 for the years ended June 30, 2012 and 2011, respectively.

Leased Equipment

The School leases office equipment under non-cancelable lease agreements expiring on various dates through December 2015.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

NOTE 5 - COMMITMENTS (Continued)

The future minimum lease payments are as follows:

For the year ending June 30,	2013	\$	37,476
	2014		37,476
	2015		31,026
	2016		<u>1,668</u>
		\$	<u>107,646</u>

Equipment rental expense was \$52,558 and \$48,312 for the years ended June 30, 2012 and 2011, respectively.

NOTE 6 - 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 7 - 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 8 - 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.

NOTE 9 - 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.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

NOTE 9 - DONATED FACILITY (Continued)

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 \$-0- and \$28,952 for the years ended June 30, 2012 and 2011, respectively.

NOTE 10 - 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. During the year ended June 30, 2012 the employee match increased to 5% of eligible compensation. The amount charged for matching contributions to this plan was \$66,923 and \$25,680 for the years ended June 30, 2012 and 2011, respectively.

NOTE 11 - SUBSEQUENT EVENTS

The School has evaluated its subsequent events through October 25, 2012, the date that the accompanying financial statements were issued. The School has no material events requiring disclosure.

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CERTIFIED PUBLIC ACCOUNTANTS

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

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INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION

TO THE BOARD OF TRUSTEES  
HARLEM PREP CHARTER SCHOOL  
(F/K/A HARLEM DAY CHARTER SCHOOL)

We have audited the financial statements Harlem Prep Charter School (F/K/A Harlem Day Charter School) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 25, 2012, which contained an unqualified 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 25, 2012

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

	2012							2011
	Program Services				Supporting Services			
	Regular Education	Special Education	Other Program	Total	Management and General	Fundraising	Total	
Personnel services costs								
Administrative staff personnel	\$ -	\$ -	\$ -	\$ -	\$ 207,631	\$ 4,237	\$ 211,868	\$ 509,350
Instructional personnel	1,633,817	143,503	-	1,777,320	20,195	2,244	1,799,759	1,852,388
Non-instructional personnel	154,923	19,148	5,789	179,860	-	-	179,860	602,532
Total salaries and staff	1,788,740	162,651	5,789	1,957,180	227,826	6,481	2,191,487	2,964,270
Fringe benefits and payroll taxes	300,309	27,307	972	328,588	38,252	1,088	367,928	782,948
Retirement	54,624	4,967	177	59,768	6,957	198	66,923	25,680
Management fees	-	-	-	-	432,496	-	432,496	-
Legal services	-	-	-	-	177	-	177	38,430
Accounting/Audit services	-	-	-	-	10,250	-	10,250	13,181
Other purchased/Professional/Consulting services	56,676	5,392	169	62,237	12,009	190	74,436	560,129
Building and land rent/Lease	320,564	29,149	1,037	350,750	40,829	1,162	392,741	373,186
Repairs and maintenance	59,683	8,310	-	67,993	6,800	755	75,548	73,856
Insurance	35,234	4,906	-	40,140	4,459	-	44,599	38,204
Utilities	34,830	4,850	-	39,680	4,409	-	44,089	34,333
Supplies and materials	234,196	32,610	2,161	268,967	26,682	2,965	298,614	77,782
Equipment/Furnishings	-	-	-	-	16,424	-	16,424	28
Staff development	59,090	8,648	-	67,738	16,262	-	84,000	83,562
Marketing/Recruitment	12,515	1,832	-	14,347	-	-	14,347	17,075
Technology	6,836	952	-	7,788	778	87	8,653	37,421
Food service	172,464	25,241	-	197,705	1,516	-	199,221	9,150
Student services	-	-	-	-	-	-	-	18,356
Office expense	-	-	-	-	5,603	623	6,226	41,724
Depreciation and amortization	276,770	35,483	-	312,253	35,484	7,097	354,834	359,085
Other	4,083	569	-	4,652	463	52	5,167	58,389
Total	<u>\$ 3,416,614</u>	<u>\$ 352,867</u>	<u>\$ 10,305</u>	<u>\$ 3,779,786</u>	<u>\$ 887,676</u>	<u>\$ 20,698</u>	<u>\$ 4,688,160</u>	<u>\$ 5,606,789</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 PREP CHARTER SCHOOL  
(F/K/A HARLEM DAY CHARTER SCHOOL)

We have audited the financial statements of Harlem Prep Charter School (F/K/A Harlem Day Charter School) (“the School”) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 25, 2012. 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 PREP CHARTER SCHOOL  
(F/K/A 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 25, 2012.

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 25, 2012