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REPORT TO THE BOARD

November 1, 2017

The Board of Directors
King Center Charter School

Dear Board Members:

We have audited the financial statements of King Center Charter School (the School) for the year ended June 30, 2017, and have issued our report thereon dated November 1, 2017. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 22, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

For the year ended June 30, 2017, we evaluated the key factors and assumptions used by management in determining that accounting estimates were reasonable in relation to the financial statements taken as a whole.

Sensitive Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There most sensitive disclosure affecting the financial statements was the disclosure of contingency in note 7.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no material uncorrected misstatements detected as a result of our audit procedures.

Disagreements with Management

For purposes of this report, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*   *   *   *   *

This information is intended solely for the use of the Board of Directors and management of King Center Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

EFPR Group, CPAs, PLLC

EFPR GROUP, CPAs, PLLC

KING CENTER CHARTER SCHOOL

Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

KING CENTER CHARTER SCHOOL

Table of Contents

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
King Center Charter School:

Report on the Financial Statements

We have audited the accompanying financial statements of King Center Charter School (the School), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to 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 audits. We conducted our audits 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 School'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 School'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 King Center Charter School as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2017, on our consideration of King Center Charter School's internal control over financial reporting and on 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 in considering the School's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
November 1, 2017

KING CENTER CHARTER SCHOOL
Statements of Financial Position
June 30, 2017 and 2016

Assets	2017	2016
Current assets:		
Cash	$ 2,632,061	2,077,739
Grants and other receivables	537,339	108,711
Prepaid expenses	8,617	16,782
Total current assets	3,178,017	2,203,232
Property and equipment, at cost	3,041,348	2,856,220
Less accumulated depreciation	(373,239)	(539,504)
Net property and equipment	2,668,109	2,316,716
Total assets	$ 5,846,126	4,519,948
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	33,542	98,827
Accrued expenses:		
Payroll and payroll taxes	236,271	183,497
Pension	355,106	352,908
Total accrued expenses	591,377	536,405
Deferred revenue	1,200	-
Capital lease obligation, current portion	85,341	36,404
Total current liabilities	711,460	671,636
Capital lease obligation, less current portion	301,337	386,678
Total liabilities	1,012,797	1,058,314
Net assets:		
Unrestricted net assets	4,833,329	3,461,148
Temporarily restricted net assets	-	486
Total net assets	4,833,329	3,461,634
Contingency (note 7)		
Total liabilities and net assets	$ 5,846,126	4,519,948

See accompanying notes to financial statements.

KING CENTER CHARTER SCHOOL
Statements of Activities
Years ended June 30, 2017 and 2016

	2017	2016
Unrestricted revenue:		
Public school districts:		
Resident student enrollment	$ 5,361,509	4,837,890
Students with disabilities	282,908	260,406
State aid	94,581	37,104
Contributions	-	5,281
Interest income	1,970	1,031
Other income	2,155	46,095
Net assets released from restrictions	427,866	235,146
Total unrestricted revenue	6,170,989	5,422,953
Unrestricted expenses:		
Program services:		
Regular education	3,330,949	2,958,087
Special education	408,122	360,988
Other programs	55,289	51,516
Total program services	3,794,360	3,370,591
Management and general	1,007,207	940,088
Total unrestricted expenses	4,801,567	4,310,679
Other revenue - gain on disposal of fixed assets	2,759	3,882
Change in unrestricted net assets	1,372,181	1,116,156
Change in temporarily restricted net assets:		
Federal and State grants	426,180	231,209
Local grants	1,200	2,500
Net assets released from restrictions	(427,866)	(235,146)
Change in temporarily restricted net assets	(486)	(1,437)
Increase in net assets	1,371,695	1,114,719
Net assets at beginning of year	3,461,634	2,346,915
Net assets at end of year	$ 4,833,329	3,461,634

See accompanying notes to financial statements.

KING CENTER CHARTER SCHOOL
Statement of Functional Expenses
Year ended June 30, 2017
with comparative totals for 2016

	No. of positions	Program Services: Regular education	Program Services: Special education	Program Services: Other programs	Program Services: Total	Management and general	Total 2017	Total 2016
Salaries:								
Instructional	64	$ 2,141,617	258,304	-	2,399,921	-	2,399,921	1,945,175
Administrative	15	-	-	-	-	710,376	710,376	623,313
Non-instructional	1	-	-	41,200	41,200	-	41,200	38,300
Total salaries	80	2,141,617	258,304	41,200	2,441,121	710,376	3,151,497	2,606,788
Payroll taxes		171,245	20,654	3,294	195,193	56,802	251,995	219,970
Employee benefits		408,167	49,230	7,852	465,249	135,390	600,639	576,255
Instructional consultants		9,530	-	-	9,530	-	9,530	55,671
Instructional materials		43,157	-	-	43,157	-	43,157	68,366
Classroom supplies		26,786	-	-	26,786	-	26,786	27,866
Field trips		8,111	-	-	8,111	-	8,111	15,762
Transportation		59,519	-	-	59,519	-	59,519	56,389
Student activities		21,473	-	-	21,473	-	21,473	22,635
Student testing and assessment		15,286	-	-	15,286	-	15,286	10,221
Special education services		-	56,395	-	56,395	-	56,395	48,455
Technology		90,544	-	-	90,544	-	90,544	72,392
Conferences		-	-	-	-	-	-	2,471
Staff development		32,800	-	-	32,800	-	32,800	1,439
Dues and subscriptions		6,160	-	-	6,160	-	6,160	4,378
Utilities		37,927	4,462	558	42,947	12,828	55,775	36,492
Insurance		47,839	5,628	704	54,171	16,181	70,352	62,545
Office supplies		-	-	-	-	8,797	8,797	14,179
Telephone		9,891	-	-	9,891	-	9,891	24,379
Postage		3,421	-	-	3,421	-	3,421	1,840
Printing and promotion		11,564	-	-	11,564	-	11,564	6,200
Building repair and maintenance		46,198	-	-	46,198	-	46,198	141,585
Contractual services		5,250	-	-	5,250	-	5,250	15,368
Professional fees		-	-	-	-	28,166	28,166	68,000
Events		-	-	-	-	-	-	3,606
Miscellaneous		4,446	-	-	4,446	-	4,446	14,374
Depreciation		114,317	13,449	1,681	129,447	38,667	168,114	128,907
Amortization		-	-	-	-	-	-	87
Moving and storage		-	-	-	-	-	-	1,429
Interest expense		15,701	-	-	15,701	-	15,701	2,630
Total unrestricted expenses		$ 3,330,949	408,122	55,289	3,794,360	1,007,207	4,801,567	4,310,679

See accompanying notes to financial statements.

KING CENTER CHARTER SCHOOL
Statement of Functional Expenses
Year ended June 30, 2016

	No. of positions	Program Services: Regular education	Program Services: Special education	Program Services: Other programs	Program Services: Total	Management and general	Total
Salaries:							
Instructional	50	$ 1,712,456	232,719	-	1,945,175	-	1,945,175
Administrative	14	-	-	-	-	623,313	623,313
Non-instructional	1	-	-	38,300	38,300	-	38,300
Total salaries	65	1,712,456	232,719	38,300	1,983,475	623,313	2,606,788
Payroll taxes		144,504	19,638	3,231	167,373	52,597	219,970
Employee benefits		379,254	51,263	8,437	438,954	137,301	576,255
Instructional consultants		55,671	-	-	55,671	-	55,671
Instructional materials		68,366	-	-	68,366	-	68,366
Classroom supplies		27,866	-	-	27,866	-	27,866
Field trips		15,762	-	-	15,762	-	15,762
Transportation		56,389	-	-	56,389	-	56,389
Student activities		22,635	-	-	22,635	-	22,635
Student testing and assessment		10,221	-	-	10,221	-	10,221
Special education services		-	48,455	-	48,455	-	48,455
Technology		72,392	-	-	72,392	-	72,392
Conferences		2,471	-	-	2,471	-	2,471
Staff development		1,439	-	-	1,439	-	1,439
Dues and subscriptions		4,378	-	-	4,378	-	4,378
Utilities		25,545	3,284	365	29,194	7,298	36,492
Insurance		43,782	5,629	625	50,036	12,509	62,545
Office supplies		-	-	-	-	14,179	14,179
Telephone		24,379	-	-	24,379	-	24,379
Postage		1,840	-	-	1,840	-	1,840
Printing and promotion		6,200	-	-	6,200	-	6,200
Building repair and maintenance		141,585	-	-	141,585	-	141,585
Contractual services		15,368	-	-	15,368	-	15,368
Professional fees		-	-	-	-	68,000	68,000
Events		-	-	-	-	3,606	3,606
Miscellaneous		14,374	-	-	14,374	-	14,374
Depreciation		108,580	-	558	109,138	19,769	128,907
Amortization		-	-	-	-	87	87
Moving and storage		-	-	-	-	1,429	1,429
Interest expense		2,630	-	-	2,630	-	2,630
Total unrestricted expenses		$ 2,958,087	360,988	51,516	3,370,591	940,088	4,310,679

See accompanying notes to financial statements.

KING CENTER CHARTER SCHOOL
Statements of Cash Flows
Years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash receipts from:		
Public school districts	$ 5,556,722	5,067,901
Federal, state and local grants	166,147	290,137
Contributions	-	5,281
Other sources	8,084	51,008
Cash payments to/for:		
Employees for services and benefits	(3,949,159)	(3,481,507)
Vendors and suppliers	(630,925)	(757,034)
Net cash provided by operating activities	1,150,869	1,175,786
Cash flows from investing activities:		
Additions to property and equipment	(520,649)	(140,672)
Proceeds from sale of fixed assets	3,901	17,871
Net cash used in investing activities	(516,748)	(122,801)
Cash flows from financing activities:		
Principal payments on note payable	-	(35,000)
Payments on capital lease obligation	(79,799)	-
Net cash used in financing activities	(79,799)	(35,000)
Net increase in cash	554,322	1,017,985
Cash at beginning of year	2,077,739	1,059,754
Cash at end of year	$ 2,632,061	2,077,739

(Continued)

See accompanying notes to financial statements.

KING CENTER CHARTER SCHOOL

Statements of Cash Flows, Continued

	2017	2016
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	$ 1,371,695	1,114,719
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	168,114	128,907
Amortization	-	87
Gain on disposal of fixed assets	(2,759)	(3,882)
Changes in:		
Grants and other receivables	(428,628)	(16,829)
Prepaid expenses	8,165	35,899
Accounts payable	(21,890)	(4,621)
Accrued expenses	54,972	(78,494)
Deferred revenue	1,200	-
Net cash provided by operating activities	$ 1,150,869	1,175,786
Supplemental schedule of cash flow information:		
Cash paid during the year for interest	$ 15,701	2,630
Fixed assets financed by capital lease obligation	$ -	423,082
Fully depreciated fixed asset disposals	$ 334,379	-
Fixed assets financed by accounts payable	$ -	43,395

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

King Center Charter School (the School) was chartered by the Board of Regents of the University at the State of New York (the State) on February 1, 2000 for a term of five years pursuant to Article 56 of the New York State Education Law. On February 8, 2013, the State extended the School's Charter through July 31, 2018.

Charter schools receive state and Federal public-school funding and must meet all the same state and Federal testing and learning requirements as public schools, yet they operate independently of the local school district, serving as their own local education agency.

The School is governed by a fourteen member, uncompensated Board of Directors and has 425 students in kindergarten through eighth grade. The school offers additional opportunities for enrichment activity including after-school and summer programs.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) Basis of Presentation

The School 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. The School does not have any permanently restricted net assets. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and may be used for any purpose designated by the School's Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School and/or the passage of time.

(d) Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(e) Cash

For purposes of the statements of cash flows, the School considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(1) Summary of Significant Accounting Policies, Continued

(f) Concentration of Credit Risk

Financial instruments that potentially subject the School to concentration of credit risk consist principally of cash accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

(g) Grants and Other Receivables

Grants and other receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

(h) Capitalization and Depreciation

Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated property and equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities. Generally, property and equipment which has a cost in excess of $500 at the date of acquisition and has an expected useful life of five years is capitalized.

(i) Long-Lived Assets

The School reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In determining whether there is an impairment of long-lived assets, the School compares the sum of the expected future net cash flows (undiscounted and without interest charges) to the carrying amount of the assets. At June 30, 2017 and 2016, no impairment in value has been recognized.

(j) Public School District Revenue

The School receives per pupil aid which is passed through the Buffalo Public School District. New York State Education Department mandates the rate per pupil. For the years ended June 30, 2017 and 2016, the per pupil rate was $12,505 and $12,355, respectively.

(1) Summary of Significant Accounting Policies, Continued

(k) Deferred Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the statements of financial position as deferred revenue.

(l) Donated Equipment, Materials, Supplies and Personnel Services

Donated equipment, materials and supplies are reflected in the financial statements based on the fair market value at the time of donation.

Donated personnel services meeting the requirements for recognition in the financial statements were not material and have not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the School.

(m) Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the School. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(n) Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(o) Subsequent Events

The School has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(p) Income Taxes

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), therefore, no provision for income taxes is reflected in the financial statements. The School has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The School presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the School has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the School are subject to examination by taxing authorities.

(q) Reclassifications

Reclassifications have been made to certain 2016 balances in order to conform them to the 2017 presentation.

(2) Property and Equipment

Property and equipment are recorded at cost. A summary of property and equipment at June 30, 2017 and 2016 is as follows:

	2017	2016
Land	$ 35,776	35,776
Building	345,828	345,828
Building improvements	2,317,860	1,847,950
Office equipment	41,194	71,047
Instructional equipment	261,610	509,714
Maintenance equipment	4,248	3,908
Construction in progress	-	14,873
Vehicles	33,750	26,042
Cafeteria equipment	1,082	1,082
	3,041,348	2,856,220
Less accumulated depreciation	(373,239)	(539,504)
Net property and equipment	$ 2,668,109	2,316,716

(3) Capital Lease Obligation

The School leases a boiler under a capital lease agreement. This lease obligation and the related equipment was placed into service on October 1, 2016. The following is a summary of equipment under capital lease obligation at June 30, 2017 and 2016. Depreciation expense reported on the statements of functional expenses includes cost of equipment of $466,477 for the equipment under capital lease.

	2017	2016
Capital lease obligation	$ 420,059	468,190
Less amounts representing interest on capital lease obligation	(33,381)	(45,108)
Capital lease obligation, net of interest	386,678	423,082
Less current portion	(85,341)	(36,404)
Capital lease obligation, excluding current portion	$ 301,337	386,678

The related future minimum lease payments as of June 30, 2017 are as follows:

2018	$ 98,838
2019	98,838
2020	98,838
2021	98,838
2022	24,707
Total minimum lease payment	$ 420,059

(4) Line of Credit

The School has a $200,000 line of credit with a local bank with interest payable at 1% above the bank's prime rate (5.25% at June 30, 2017). This is a demand note and substantially all of the School's assets are secured under the loan. At June 30, 2017 and 2016, there was no balance on the line.

(5) Pension Plan

The School participates in the New York State Teachers' Retirement System (NYSTRS), which is a cost-sharing multiple employer, public employees retirement system. NYSTRS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

NYSTRS is administered by the New York State Teachers' Retirement Board and provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

NYSTRS is noncontributory, except for employees who joined the System after July 27, 1976 and prior to January 1, 2010, who contribute 3% of their salary, except that employees in NYSTRS more than ten years are no longer required to contribute. Those joining NYSTRS on or after January 1, 2010 are required to contribute 3.5% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The School is required to contribute an actuarially determined rate. The rates for NYSTRS were 11.72% and 13.26% of the annual covered payroll as of June 30, 2017 and 2016, respectively. Required annual contributions of $281,356 and $283,977 were paid to NYSTRS by the School for the years ended June 30, 2017 and 2016, respectively.

(6) Defined Contribution Plan

The School sponsors a 401(k) contributory defined contribution plan (the Plan) covering employees who are at least 18 years of age. The employer contribution is calculated based on a pro rata basis of compensation of each eligible participant, but in no event will exceed the lesser of: (a) five percent (5%) of compensation or (b) one-third ($^1/_3$) of the highest allocation rate for any highly compensated participant for the plan year. The School contributes a percentage of non-instructional employees' salaries to the plan, subject to certain limitations, as determined annually by the Board of Directors. Total expense for the years ended June 30, 2017 and 2016 was $19,907 and $16,892, respectively. The School also sponsors a non-contributory tax deferred annuity 403(b) plan. Eligible employees may contribute to the Plan up to the maximum allowed by Internal Revenue Code.

(7) Contingency

The School has received grants which are subject to audit by agencies of the state and Federal government. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the School's administration believes that disallowances, if any will be immaterial.

(8) Expansion Plan

The School has an expansion plan to increase student population whereby they will add additional students every year until 2018. Each year students will be added until a student population of 432 is reached in fiscal year ending June 30, 2018.

(9) Escrow Reserve

As set forth in its charter, the School established an escrow reserve in August 2007, in the amount of $75,000 for the purpose of funding legal and audit fees in the event of dissolution. The amount in escrow was $75,000 as of June 30, 2017 and 2016.

EFPR GROUP CPAs PLLC

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

The Board of Directors
King Center 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 King Center Charter School (the School), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated November 1, 2017.

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 School's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether King Center Charter 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York
November 1, 2017

EFPR GROUP, CPAs PLLC

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November 1, 2017

CONFIDENTIAL

The Board of Directors
King Center Charter School

Dear Board Members:

We have completed our audit of the financial statements of King Center Charter School (the School) for the year ended June 30, 2017. Considering the test character of our audit, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against irregularities which a test examination may not disclose. We now present for your consideration our comment and recommendation based upon observations made during our audit.

This report is intended solely for the information and use of the Board of Directors, management and others within the School.

Credit Card Pre Approval Form

During our audit, we noted that the credit card pre approval forms were not always fully completed as per the written policies and procedures. We recommend that the forms be properly completed, noting a review and authorization of all transactions and verification of supporting documentation. We recommend that all approvals be evidenced by initials and a date of the approval.

* * * * *

We wish to take this opportunity to express our appreciation for the courtesy and cooperation extended to us by King Center Charter School personnel during our audit. If you have any questions regarding the foregoing comment or wish any assistance in its implementation, please contact us at your convenience.

Very truly yours,

EFPR GROUP, CPAs, PLLC

Douglas E. Zimmerman, CPA
Partner
Chief Operating Officer