

**LEADERSHIP PREPARATORY BEDFORD STUYVESANT
CHARTER SCHOOL**

BROOKLYN, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2012
(With Comparative Totals for 2011)

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MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Leadership Preparatory Bedford Stuyvesant Charter School

We have audited the accompanying statement of financial position of Leadership Preparatory Bedford Stuyvesant Charter School (the "Charter School") as of June 30, 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of Leadership Preparatory Bedford Stuyvesant Charter School as of and for the year ended June 30, 2011 and, in our report dated October 18, 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, 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 Leadership Preparatory Bedford Stuyvesant Charter 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 17, 2012 on our consideration of Leadership Preparatory Bedford Stuyvesant Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 17, 2012

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LEADERSHIP PREPARATORY BEDFORD STUYVESANT CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

(With Comparative Totals for 2011)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 803,440	\$ 618,830
Certificates of deposit	1,237,557	1,095,660
Grants and other receivables	191,289	150,670
Prepaid expenses and other current assets	<u>43,684</u>	<u>23,916</u>
TOTAL CURRENT ASSETS	2,275,970	1,889,076
 <u>PROPERTY AND EQUIPMENT, net</u>	 <u>440,648</u>	 <u>420,005</u>
TOTAL ASSETS	<u>\$ 2,716,618</u>	<u>\$ 2,309,081</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	<u>\$ 239,264</u>	<u>\$ 137,736</u>
TOTAL CURRENT LIABILITIES	239,264	137,736
 <u>NET ASSETS</u>		
Unrestricted:		
Undesignated	1,917,643	1,611,634
Designated for building fund	550,000	550,000
Temporarily restricted	<u>9,711</u>	<u>9,711</u>
	<u>2,477,354</u>	<u>2,171,345</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,716,618</u>	<u>\$ 2,309,081</u>

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

LEADERSHIP PREPARATORY BEDFORD STUYVESANT CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2012
 (With Comparative Totals for 2011)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>	
			<u>Year ended June 30, 2012</u>	<u>2011</u>
Operating revenue and support:				
State and local per pupil operating revenue	\$ 6,383,243	\$ -	\$ 6,383,243	\$ 5,390,171
Government grants	296,366	-	296,366	266,848
Contributions	33	-	33	55,068
Other income	<u>8,283</u>	<u>-</u>	<u>8,283</u>	<u>9,762</u>
	6,687,925	-	6,687,925	5,721,849
 Net assets released from restrictions	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
TOTAL OPERATING REVENUE AND SUPPORT	6,687,925	-	6,687,925	5,721,849
 Expenses:				
Program services - education	5,683,127	-	5,683,127	4,578,801
General and administrative	<u>698,789</u>	<u>-</u>	<u>698,789</u>	<u>649,704</u>
TOTAL EXPENSES	<u>6,381,916</u>	<u>-</u>	<u>6,381,916</u>	<u>5,228,505</u>
CHANGE IN NET ASSETS	306,009	-	306,009	493,344
 Net assets at beginning of year	 <u>2,161,634</u>	 <u>9,711</u>	 <u>2,171,345</u>	 <u>1,678,001</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,467,643</u>	<u>\$ 9,711</u>	<u>\$ 2,477,354</u>	<u>\$ 2,171,345</u>

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

LEADERSHIP PREPARATORY BEDFORD STUYVESANT CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2012
 (With Comparative Totals for 2011)

	Year ended June 30,			
	2012		2011	
Program services - education	General and administrative	Total	Total	
Salaries	\$ 3,677,353	\$ 282,620	\$ 3,959,973	\$ 3,166,298
Payroll taxes and employee benefits	594,574	45,813	640,387	567,778
Occupancy	7,896	-	7,896	1,020
Repairs and maintenance	53,634	9,789	63,423	78,874
Textbooks	12,245	-	12,245	37,443
Instructional supplies and assessments	223,546	-	223,546	117,267
Computer and technology support	114,920	-	114,920	108,323
Student enrichment and services	134,609	-	134,609	135,661
Professional development	198,654	-	198,654	155,206
Professional services	-	21,856	21,856	15,988
Telephone	-	68,801	68,801	48,209
Insurance	-	56,477	56,477	51,642
Management fees	473,646	83,585	557,231	505,871
Bad debt expense	12,263	-	12,263	-
Office expense	28,951	112,758	141,709	109,288
Depreciation and amortization	150,836	4,268	155,104	120,497
Other	-	12,822	12,822	9,140
	<u>\$ 5,683,127</u>	<u>\$ 698,789</u>	<u>\$ 6,381,916</u>	<u>\$ 5,228,505</u>

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

LEADERSHIP PREPARATORY BEDFORD STUYVESANT CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

	June 30,	
	<u>2012</u>	<u>2011</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 306,009	\$ 493,344
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Bad debt expense	12,263	-
Depreciation and amortization	155,104	120,497
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(52,882)	(2,996)
Prepaid expenses and other current assets	(19,768)	27,912
Accounts payable and accrued expenses	<u>101,528</u>	<u>(10,586)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	502,254	628,171
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(175,747)	(85,337)
Purchase of certificates of deposit	<u>(141,897)</u>	<u>(702,863)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(317,644)</u>	<u>(788,200)</u>
NET INCREASE (DECREASE) IN CASH	184,610	(160,029)
Cash at beginning of year	<u>618,830</u>	<u>778,859</u>
CASH AT END OF YEAR	<u>\$ 803,440</u>	<u>\$ 618,830</u>

LEADERSHIP PREPARATORY BEDFORD STUYVESANT CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Leadership Preparatory Bedford Stuyvesant Charter School (the “Charter School”), is an educational corporation operating as a charter school in the borough of Brooklyn, New York City. On December 11, 2005, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years which was renewed for an additional five years effective May 3, 2011 through July 31, 2016.

The Charter School’s mission is to ensure academic success for children in grades K through 12. The Charter School prepares students to excel in demanding high schools and colleges and to contribute to their communities as leaders. Through educational success, students earn opportunities in life for themselves and their communities.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter 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.

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2012 or 2011.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. Temporarily restricted net assets at June 30, 2012 and 2011 are restricted for use for a specific field trip for the students.

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

Revenue and support recognition

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

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

LEADERSHIP PREPARATORY BEDFORD STUYVESANT CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2012 AND 2011

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Contributions

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

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

Cash

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

Certificates of deposit

Certificates of deposit represent certificates of deposit with maturities of twelve months or less. The School has certificates of deposit which mature in 2012. The fair value of the certificates of deposit was determined based on the original cost basis. In the normal course of business, the interest bearing account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in certificates of deposit.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2012 or 2011.

Property and equipment

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

LEADERSHIP PREPARATORY BEDFORD STUYVESANT CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2012 AND 2011

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Tax exempt status

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

The Charter School has filed for and received income tax exemptions in the jurisdictions where it is required to do so. The Charter School files the Form 990 tax returns in the U.S. federal jurisdiction. With few exceptions, as of June 30, 2012, the Charter School is no longer subject to U.S. Federal income tax examinations by tax authorities for the years ended prior to June 30, 2009. The tax returns for the years ended June 30, 2009 through June 30, 2012 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it has not recognized any liability for unrecognized tax benefits.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the board of trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed.

Use of estimates in the preparation of financial statements

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. Actual results could differ from those estimates.

Comparatives for year ended June 30, 2011

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 17, 2012, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

LEADERSHIP PREPARATORY BEDFORD STUYVESANT CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2012 AND 2011

NOTE B: RELATED PARTY TRANSACTIONS

Uncommon Schools, Inc. (“USI”), a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Charter School. The Charter School entered into a five year agreement with USI, dated September 26, 2006, which was renewed for an additional five years on July 1, 2011, under which the Charter School pays USI a service fee of a set percentage of the average number of students enrolled at the Charter School during the school year multiplied by the approved per pupil operating expenses for the school year, and a percentage of all other public entitlement funding receivable during the fiscal year, excluding in-kind contributions and funds from competitive public grants. This percentage is fixed at 8.5% for the 2012 fiscal year, decreasing to 8.0% for the 2013 through 2016 fiscal years. The fee incurred for the years ended June 30, 2012 and 2011 was approximately \$557,000 and \$506,000, respectively. At June 30, 2011, approximately \$800, was included in accounts receivable relating to USI. At June 30, 2012 and 2011 approximately \$66,400 and \$73,100, respectively, are included in accounts payable relating to USI.

The Charter School is related to Friends of Leadership Prep, (“FOLP”) through common Board representation and management. FOLP is an organization that was established to generate funding and encourage the development of charter schools. There were no transfers from FOLP during the years ended June 30, 2012 or 2011. The facts exclude FOLP from the provisions of GAAP, which would otherwise require consolidation with the Charter School.

The Charter School is related to Leadership Preparatory Brownsville Charter School and Leadership Preparatory Ocean Hill Charter School through common Board representation. As neither of the schools have an economic interest in the net assets of the other school, the facts do not require consolidation of this school with the Charter School in accordance with GAAP.

NOTE C: SCHOOL FACILITY

The Charter School is located in a New York City Department of Education facility. During the years ended June 30, 2012 and 2011, the Charter School paid a fee to the New York City Department of Education for additional after-school and weekend usage amounting to approximately \$7,900 and \$1,000, respectively. At June 30, 2012 and 2011, the Board of Trustees has designated \$550,000 as a building fund to meet future needs of the Charter School.

LEADERSHIP PREPARATORY BEDFORD STUYVESANT CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2012 AND 2011

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Furniture and fixtures	\$ 199,539	\$ 195,016
Computer software	514,374	350,436
Leasehold improvements	<u>266,773</u>	<u>259,487</u>
	980,686	804,939
Less accumulated depreciation and amortization	<u>540,038</u>	<u>384,934</u>
	<u>\$ 440,648</u>	<u>\$ 420,005</u>

NOTE E: OPERATING LEASES

The Charter School leases office equipment under certain non-cancelable lease agreements expiring through December 2012. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2013	<u>\$ 9,711</u>
	<u>\$ 9,711</u>

NOTE F: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. The Charter School matches employees' contributions up to 3% of gross payroll. The Charter School's total contribution to the Plan for the years ended June 30, 2012 and 2011 approximated \$50,600 and \$40,200, respectively.

LEADERSHIP PREPARATORY BEDFORD STUYVESANT CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2012 AND 2011

NOTE G: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such 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 H: CONCENTRATIONS

At June 30, 2012 and 2011, approximately 13% and 58% of accounts receivable are due from New York State, respectively. At June 30, 2012 approximately 52% and 34% of accounts receivable are due from a grantor and New York City, respectively.

During the years ended June 30, 2012 and 2011, 95% and 94%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School is located.

LEADERSHIP PREPARATORY BEDFORD STUYVESANT CHARTER SCHOOL

OTHER FINANCIAL INFORMATION



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Leadership Preparatory Bedford Stuyvesant Charter School

We have audited the financial statements of Leadership Preparatory Bedford Stuyvesant Charter School as of and for the year ended June 30, 2012, and our report thereon dated October 17, 2012, which expressed an unqualified opinion on those financial statements, appears on page 3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information hereinafter is presented for 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 for the year ended June 30, 2012, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 17, 2012

LEADERSHIP PREPARATORY BEDFORD STUYVESANT CHARTER SCHOOL

SCHEDULE OF ELEMENTARY SCHOOL AND MIDDLE SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2012

	<u>Elementary School</u>	<u>Middle School</u>	<u>Total</u>
State and local per pupil operating revenue	\$ 5,317,992	\$ 1,065,251	\$ 6,383,243
Government grants	242,377	53,989	296,366
Contributions	30	3	33
Other income	<u>7,937</u>	<u>346</u>	<u>8,283</u>
TOTAL OPERATING REVENUE AND SUPPORT	5,568,336	1,119,589	6,687,925
Salaries	3,098,375	861,598	3,959,973
Payroll taxes and employee benefits	496,923	143,464	640,387
Occupancy	7,896	-	7,896
Repairs and maintenance	49,187	14,236	63,423
Textbooks	11,870	375	12,245
Instructional supplies and assessments	193,935	29,611	223,546
Computer and technology supplies	78,871	36,049	114,920
Student enrichment and services	111,461	23,148	134,609
Professional development	166,005	32,649	198,654
Professional services	18,767	3,089	21,856
Telephone	49,351	19,450	68,801
Insurance	48,406	8,071	56,477
Management fees	465,219	92,012	557,231
Bad debt expense	11,250	1,013	12,263
Office expense	123,885	17,824	141,709
Depreciation and amortization	140,380	14,724	155,104
Other	<u>10,852</u>	<u>1,970</u>	<u>12,822</u>
TOTAL EXPENSES	<u>5,082,633</u>	<u>1,299,283</u>	<u>6,381,916</u>
CHANGE IN NET ASSETS	<u>\$ 485,703</u>	<u>\$ (179,694)</u>	<u>\$ 306,009</u>

LEADERSHIP PREPARATORY BEDFORD STUYVESANT CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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

Board of Trustees
Leadership Preparatory Bedford Stuyvesant Charter School

We have audited the financial statements of Leadership Preparatory Bedford Stuyvesant Charter School (the "Charter School") as of and for the year ended June 30, 2012 and have issued our report thereon dated October 17, 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

Management of Leadership Preparatory Bedford Stuyvesant Charter School is responsible for establishing and maintaining effective internal control of financial reporting. In planning and performing our audit, we considered Leadership Preparatory Bedford Stuyvesant Charter 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 Leadership Preparatory Bedford Stuyvesant Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter 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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leadership Preparatory Bedford Stuyvesant Charter 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 management of Leadership Preparatory Bedford Stuyvesant Charter School in a separate letter dated October 17, 2012.

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

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 17, 2012