

**LEADERSHIP PREPARATORY OCEAN HILL
CHARTER SCHOOL**

BROOKLYN, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2015

(With Comparative Totals for 2014)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Leadership Preparatory Ocean Hill Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Leadership Preparatory Ocean Hill Charter School which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the 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 audit. 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 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 entity'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 entity'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 Leadership Preparatory Ocean Hill Charter School as of June 30, 2015, 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.

Report on Summarized Comparative Information

We have previously audited Leadership Preparatory Ocean Hill Charter School's June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015 on our consideration of Leadership Preparatory Ocean Hill 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* in considering Leadership Preparatory Ocean Hill Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 20, 2015

LEADERSHIP PREPARATORY OCEAN HILL CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

(With Comparative Totals for 2014)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 2,340,627	\$ 1,514,457
Grants and other receivables	72,925	76,234
Prepaid expenses	<u>91,901</u>	<u>45,596</u>
TOTAL CURRENT ASSETS	2,505,453	1,636,287
 <u>PROPERTY AND EQUIPMENT, net</u>	 <u>558,709</u>	 <u>677,431</u>
TOTAL ASSETS	<u>\$ 3,064,162</u>	<u>\$ 2,313,718</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 314,263	\$ 316,397
TOTAL CURRENT LIABILITIES	<u>314,263</u>	<u>316,397</u>
 <u>NET ASSETS, unrestricted</u>		
Designated for stability fund	610,000	85,000
Undesignated	<u>2,139,899</u>	<u>1,912,321</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,064,162</u>	<u>\$ 2,313,718</u>

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

LEADERSHIP PREPARATORY OCEAN HILL CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	<u>Year ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Operating revenue and support:		
State and local per pupil operating revenue	\$ 8,538,431	\$ 6,609,338
Government grants	311,233	254,033
Private grants	582	-
Other income	<u>59,472</u>	<u>28,336</u>
TOTAL OPERATING REVENUE AND SUPPORT	8,909,718	6,891,707
Expenses:		
Program services - education	7,276,356	5,757,506
General and administrative	<u>880,784</u>	<u>764,645</u>
TOTAL EXPENSES	<u>8,157,140</u>	<u>6,522,151</u>
CHANGE IN NET ASSETS	752,578	369,556
Unrestricted net assets at beginning of year	<u>1,997,321</u>	<u>1,627,765</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 2,749,899</u>	<u>\$ 1,997,321</u>

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

LEADERSHIP PREPARATORY OCEAN HILL CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	Year ended June 30,			2014
	2015		Total	
Program services - education	General and administrative			
Salaries	\$ 4,407,982	\$ 379,749	\$ 4,787,731	\$ 3,846,583
Payroll taxes and employee benefits	668,064	56,909	724,973	567,433
Repairs and maintenance	77,646	8,059	85,705	79,082
Textbooks	50,274	-	50,274	35,232
Occupancy	-	-	-	35,234
Instructional supplies and assessments	190,580	-	190,580	161,487
Computer and technology support	328,367	-	328,367	184,005
Student enrichment and services	297,221	-	297,221	133,220
Professional development	325,222	-	325,222	269,781
Professional services	-	16,983	16,983	21,299
Telephone	-	72,433	72,433	49,366
Insurance	-	61,104	61,104	58,853
Management fees	673,416	118,839	792,255	647,641
Office expense	59,905	157,210	217,115	158,473
Depreciation and amortization	197,679	1,991	199,670	260,615
Bad debt expense	-	1,124	1,124	-
Other	-	6,383	6,383	13,847
	<u>\$ 7,276,356</u>	<u>\$ 880,784</u>	<u>\$ 8,157,140</u>	<u>\$ 6,522,151</u>

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

LEADERSHIP PREPARATORY OCEAN HILL CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

	<u>Year ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 752,578	369,556
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Bad debt expense	1,124	-
Depreciation and amortization	199,670	260,615
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	2,185	(16,000)
Prepaid expenses	(46,305)	48,955
Accounts payable and accrued expenses	<u>(2,134)</u>	<u>116,615</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	907,118	779,741
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(80,948)</u>	<u>(348,170)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(80,948)</u>	<u>(348,170)</u>
NET INCREASE IN CASH	826,170	431,571
Cash at beginning of year	<u>1,514,457</u>	<u>1,082,886</u>
CASH AT END OF YEAR	<u>\$ 2,340,627</u>	<u>\$ 1,514,457</u>

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

LEADERSHIP PREPARATORY OCEAN HILL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

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

The Charter School

Leadership Preparatory Ocean Hill Charter School (the “Charter School”) is an educational corporation operating as a charter school in the borough of Brooklyn, New York City. On October 28, 2008, 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 and renewable upon expiration. The Charter School was approved for a charter extension which terminated on July 31, 2015 to complete its fifth year of operation during its initial charter period. See Note I for discussion of merger and current status of charter.

The Charter School’s mission is to ensure academic success for children in grades K through 12 from Central Brooklyn. 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, 2015 or 2014.

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. The Charter School had no temporarily restricted net assets at June 30, 2015 or 2014.

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 OCEAN HILL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

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

Cash balances are maintained at financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. In the normal course of business, the cash 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.

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 either June 30, 2015 or 2014.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization 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 OCEAN HILL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

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. The tax returns for the years ended June 30, 2012 through June 30, 2015 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.

In-kind Contributions

Gifts and donations other than cash are recorded at fair value at the date of contribution. The Charter School received in-kind contributions of textbooks totaling \$43,906 and \$28,316 in the years ended June 30, 2015 and 2014, respectively and are included in other income in the accompanying statement of activities and changes in net assets for the years ended June 30, 2015 and 2014.

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, 2014

The financial statements include certain prior year summarized comparative information in total but not by 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, 2014, 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 20, 2015 which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

LEADERSHIP PREPARATORY OCEAN HILL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

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 July 1, 2009, which was renewed for an additional five years on July 1, 2014, 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 9.5% for the 2013 fiscal year, 9% in 2014 fiscal year, decreasing to 8.5% in 2015 fiscal year and 8% through 2019 fiscal year. The fee incurred for the years ended June 30, 2015 and 2014, was approximately \$792,000 and \$648,000, respectively. At June 30, 2015 and 2014, approximately \$191,500 and \$184,500, respectively, are included in accounts payable, relating to USI.

The Charter School is related to Leadership Preparatory Brownsville Charter School, Leadership Preparatory Bedford Stuyvesant Charter School, Leadership Preparatory Canarsie Charter School through common Board representation. As none of the schools have an economic interest in the net assets of any other school, the facts do not require consolidation of any of these schools with the Charter School in accordance with GAAP.

See Note I regarding a merger with related parties and replacement of the agreement with USI for providing management and other administrative support services.

NOTE C: SCHOOL FACILITY

The Charter School is located in a New York City Department of Education facility. During the year ended June 30, 2014, the Charter School paid approximately \$35,000 to the New York City Department of Education for additional after-school and weekend usage. There were no such fees incurred for the year ended June 30, 2015. At June 30, 2015 and 2014, the Board of Trustees has designated \$610,000 and \$85,000, respectively, as a stability fund to meet future needs of the Charter School.

LEADERSHIP PREPARATORY OCEAN HILL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>Year ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Furniture and fixtures	\$ 93,309	\$ 93,309
Computers and software	891,237	833,994
Leasehold improvements	<u>533,501</u>	<u>509,796</u>
	1,518,047	1,437,099
Less accumulated depreciation and amortization	<u>959,338</u>	<u>759,668</u>
	<u>\$ 558,709</u>	<u>\$ 677,431</u>

NOTE E: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. The Charter School matches employees' contributions up to the lesser of 3% of gross payroll or \$3,500. The Charter School's total contribution to the Plan for the years ended June 30, 2015 and 2014 approximated \$85,800 and \$54,900, respectively.

NOTE F: 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 G: CONCENTRATIONS

At June 30, 2015 and 2014, approximately 34% and 26%, respectively, of accounts receivable are due from New York State. At June 30, 2015 and 2014 approximately 47% and 72%, respectively, of accounts receivable are due from a grantor.

During the years ended June 30, 2015 and 2014, 96% 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 OCEAN HILL CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for 2014)

NOTE H: OPERATING LEASES

The Charter School leases office equipment under a non-cancelable lease agreement expiring July 2018. The future minimum payments on the agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 66,359
2017	42,894
2018	22,900
2019	1,275
	<u>\$ 133,428</u>

NOTE I: MERGER

In December 2014, the Charter School's Board of Trustees approved the merger of the Charter School and Leadership Preparatory Bedford Stuyvesant Charter School, as the successor Charter School under the name Uncommon New York City Charter Schools, in conjunction with Excellence Charter Schools, Bedford Stuyvesant Collegiate Charter School, Brownsville Collegiate Charter School, Kings Collegiate Charter School, Leadership Preparatory Brownsville Charter School, Leadership Preparatory Canarsie Charter School, Brooklyn East Collegiate Charter School and Ocean Hill Collegiate Charter School. The merger was approved on March 6, 2015 by the SUNY Board of Trustees and on June 30, 2015 by the Board of Regents. The merger is effective July 1, 2015. In conjunction with this merger, the Charter School was dissolved and a new agreement is being negotiated with USI to provide management and other administrative services to Uncommon New York City Charter Schools.

LEADERSHIP PREPARATORY OCEAN HILL CHARTER SCHOOL

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Leadership Preparatory Ocean Hill Charter School

We have audited the financial statements of Leadership Preparatory Ocean Hill Charter School as of and for the year ended June 30, 2015, and have issued our report thereon dated October 20, 2015, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The 2015 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, 2015 taken as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 20, 2015

LEADERSHIP PREPARATORY OCEAN HILL CHARTER SCHOOL

SCHEDULE OF ELEMENTARY SCHOOL AND MIDDLE SCHOOL ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Elementary School</u>	<u>Middle School</u>	<u>Total</u>
State and local per pupil operating revenue	\$ 6,024,388	\$ 2,514,043	\$ 8,538,431
Government grants	215,225	96,008	311,233
Private grants	-	582	582
Other income	<u>42,877</u>	<u>16,595</u>	<u>59,472</u>
TOTAL OPERATING REVENUE AND SUPPORT	6,282,490	2,627,228	8,909,718
Salaries	3,341,874	1,445,857	4,787,731
Payroll taxes and employee benefits	506,081	218,892	724,973
Repairs and maintenance	75,376	10,329	85,705
Textbooks	46,539	3,735	50,274
Instructional supplies and assessments	138,942	51,638	190,580
Computer and technology supplies	215,607	112,760	328,367
Student enrichment and services	152,191	145,030	297,221
Professional development	226,039	99,183	325,222
Professional services	10,062	6,921	16,983
Telephone	50,128	22,305	72,433
Insurance	43,541	17,563	61,104
Management fees	559,271	232,984	792,255
Office expense	145,271	71,844	217,115
Depreciation and amortization	125,609	74,061	199,670
Bad debt expense	-	1,124	1,124
Other	<u>2,294</u>	<u>4,089</u>	<u>6,383</u>
TOTAL EXPENSES	<u>5,638,825</u>	<u>2,518,315</u>	<u>8,157,140</u>
CHANGE IN NET ASSETS	<u>\$ 643,665</u>	<u>\$ 108,913</u>	<u>\$ 752,578</u>

LEADERSHIP PREPARATORY OCEAN HILL CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S 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 Ocean Hill Charter School

We have audited 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, the financial statements of Leadership Preparatory Ocean Hill Charter School, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Leadership Preparatory Ocean Hill Charter 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 Leadership Preparatory Ocean Hill Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Leadership Preparatory Ocean Hill Charter 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 entity'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 Leadership Preparatory Ocean Hill 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.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 20, 2015

**LEADERSHIP PREPARATORY OCEAN HILL
CHARTER SCHOOL**

ADVISORY COMMENT LETTER

JUNE 30, 2015



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 20, 2015

To the Board of Trustees
Leadership Preparatory Ocean Hill Charter School

In planning and performing our audit of the financial statements of Leadership Preparatory Ocean Hill Charter School (the “Charter School”) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter School’s internal control over financial reporting (internal control) 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 entity’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter 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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

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This communication is intended solely for the information and use of Management, Finance Committee Members and Board Members and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the Charter School's financial statements. Should you have any questions or comments, please contact Shelby Stenson or Ryan Snyder.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

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