



Financial Statements  
(Together with Independent Auditors' Report)

And

Report Required by *Government Auditing Standards*

For the Years Ended June 30, 2016 and 2015

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

**CHILDREN’S AID COLLEGE PREP CHARTER SCHOOL**

**FINANCIAL STATEMENTS  
(Together with Independent Auditors’ Report)**

**June 30, 2016 and 2015**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditors' Report .....	1-2
 <b>Financial Statements</b>	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Functional Expenses .....	5-6
Statements of Cash Flows .....	7
Notes to Financial Statements .....	8-11
 <b>Report Required by <i>Government Auditing Standards</i></b>	
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 <i>Government Auditing Standards</i> .....	12-13

## INDEPENDENT AUDITORS' REPORT

The Board of Trustees of  
Children's Aid College Prep Charter School

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Children's Aid College Prep Charter School (the "Charter School") which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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.

### ***Auditors' 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 of material misstatements.

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 the Charter School as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in conformity 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 October xx, 2016 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Charter School's internal control over financial reporting and compliance.

Handwritten signature of Marko Paneth in dark ink.

New York, NY  
October 25, 2016

**CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>		
CURRENT ASSETS		
Cash and cash equivalents (Notes 2B and 10)	\$ 1,904,320	\$ 1,297,748
Government grants receivable (Notes 2D, 2E and 3)	181,899	325,893
Pledges receivable (Notes 2C, 2E and 4)	200,000	-
Prepaid expenses and other assets	<u>3,222</u>	<u>43,104</u>
<b>TOTAL CURRENT ASSETS</b>	2,289,441	1,666,745
PROPERTY AND EQUIPMENT, net (Note 2F and 5)	<u>100,886</u>	<u>149,644</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,390,327</u></u>	<u><u>\$ 1,816,389</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 87,242	\$ 248,634
Accrued payroll and benefits	562,928	470,621
Deferred revenue	2,433	7,294
Due to related party (Notes 8 and 11)	<u>208,814</u>	<u>339,865</u>
<b>TOTAL CURRENT LIABILITIES</b>	861,417	1,066,414
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS		
Unrestricted	1,278,910	749,975
Temporarily restricted (Note 6)	<u>250,000</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u>1,528,910</u>	<u>749,975</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,390,327</u></u>	<u><u>\$ 1,816,389</u></u>

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

**CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUE AND SUPPORT:</b>				
Public School District (Notes 2D and 10)				
Resident student enrollment	\$ 4,172,814	\$ -	\$ 4,172,814	\$ 3,823,600
Students with disabilities	751,656	-	751,656	604,382
Grants and Contracts (Notes 2D and 10)				
State and local	-	-	-	200,000
Federal - Title 1 and IDEA	225,766	-	225,766	189,597
Other	22,291	-	22,291	28,445
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<u>5,172,527</u>	<u>-</u>	<u>5,172,527</u>	<u>4,846,024</u>
<b>OPERATING EXPENSES:</b>				
<b>Program Services</b>				
Regular Education	3,689,195	-	3,689,195	4,141,226
Special Education	638,608	-	638,608	426,261
<b>Total Program Services</b>	<u>4,327,803</u>	<u>-</u>	<u>4,327,803</u>	<u>4,567,487</u>
<b>Supporting Services</b>				
Management and General	486,103	-	486,103	509,072
Fundraising	44,949	-	44,949	50,008
<b>Total Supporting Services</b>	<u>531,052</u>	<u>-</u>	<u>531,052</u>	<u>559,080</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>4,858,855</u>	<u>-</u>	<u>4,858,855</u>	<u>5,126,567</u>
<b>SURPLUS (DEFICIT) FROM SCHOOL OPERATIONS</b>	<u>313,672</u>	<u>-</u>	<u>313,672</u>	<u>(280,543)</u>
<b>OTHER REVENUE:</b>				
Contributions (Notes 2C and 11)	87,316	-	87,316	76,759
Contributions passed-through Children's Aid (Notes 2C and 11)	127,947	250,000	377,947	272,750
<b>TOTAL OTHER REVENUE</b>	<u>215,263</u>	<u>250,000</u>	<u>465,263</u>	<u>349,509</u>
<b>CHANGE IN NET ASSETS</b>	<u>528,935</u>	<u>250,000</u>	<u>778,935</u>	<u>68,966</u>
Net Assets - beginning of the year	749,975	-	749,975	681,009
<b>NET ASSETS - END OF THE YEAR</b>	<u>\$ 1,278,910</u>	<u>\$ 250,000</u>	<u>\$ 1,528,910</u>	<u>\$ 749,975</u>

**CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
(With Comparative Totals for the Year Ended  
June 30, 2015)

	Program Services			Supporting Services			Total	
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	2016	2015
Salaries	\$ 2,083,890	\$ 323,761	\$ 2,407,651	\$ -	\$ 35,193	\$ 35,193	\$ 2,442,844	\$ 2,352,999
Fringe Benefits & Payroll Taxes	549,542	76,411	625,953	-	9,174	9,174	635,127	622,777
Retirement	13,737	2,416	16,153	-	-	-	16,153	-
Management Company Fees - Contracted Services (Note 11)	283,891	191,193	475,084	461,017	-	461,017	936,101	932,626
Legal Service	-	-	-	4,913	-	4,913	4,913	4,346
Accounting / Audit Services	-	-	-	15,997	-	15,997	15,997	11,500
Other Purchased / Professional / Consulting Services	256,255	7,094	263,349	-	-	-	263,349	438,304
Repairs & Maintenance	69,285	-	69,285	-	-	-	69,285	140,292
Insurance	22,195	-	22,195	-	-	-	22,195	20,885
Utilities	19,137	-	19,137	-	-	-	19,137	15,836
Supplies / Materials	158,826	37,733	196,559	1,151	-	1,151	197,710	210,527
Equipment / Furnishings	65,569	-	65,569	-	-	-	65,569	70,316
Staff Development	24,829	-	24,829	1,862	-	1,862	26,691	100,798
Marketing / Recruitment	5,679	-	5,679	-	-	-	5,679	18,207
Technology	33,483	-	33,483	120	-	120	33,603	53,273
Food Service	23,043	-	23,043	646	-	646	23,689	27,600
Student Services	21,858	-	21,858	-	-	-	21,858	14,551
Office Expense	4,690	-	4,690	225	-	225	4,915	21,672
Depreciation and amortization	48,758	-	48,758	-	-	-	48,758	64,507
Other	4,528	-	4,528	172	582	754	5,282	5,551
<b>TOTAL EXPENSES</b>	<b>\$ 3,689,195</b>	<b>\$ 638,608</b>	<b>\$ 4,327,803</b>	<b>\$ 486,103</b>	<b>\$ 44,949</b>	<b>\$ 531,052</b>	<b>\$ 4,858,855</b>	<b>\$ 5,126,567</b>

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

**CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Program Services			Supporting Services			
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 2,022,497	\$ 290,999	\$ 2,313,496	\$ -	\$ 39,503	\$ 39,503	\$ 2,352,999
Fringe Benefits & Payroll Taxes	544,950	67,529	612,479	-	10,298	10,298	622,777
Management Company Fees - Contracted Services (Note 11)	447,474	-	447,474	485,152	-	485,152	932,626
Legal Service	-	-	-	4,346	-	4,346	4,346
Accounting / Audit Services	-	-	-	11,500	-	11,500	11,500
Other Purchased / Professional / Consulting Services	383,560	51,952	435,512	2,792	-	2,792	438,304
Repairs & Maintenance	138,306	1,986	140,292	-	-	-	140,292
Insurance	20,885	-	20,885	-	-	-	20,885
Utilities	15,836	-	15,836	-	-	-	15,836
Supplies / Materials	209,674	837	210,511	16	-	16	210,527
Equipment / Furnishings	70,316	-	70,316	-	-	-	70,316
Staff Development	87,785	12,958	100,743	55	-	55	100,798
Marketing / Recruitment	18,207	-	18,207	-	-	-	18,207
Technology	53,273	-	53,273	-	-	-	53,273
Food Service	27,558	-	27,558	42	-	42	27,600
Student Services	14,326	-	14,326	225	-	225	14,551
Office Expense	16,856	-	16,856	4,816	-	4,816	21,672
Depreciation and amortization	64,507	-	64,507	-	-	-	64,507
Other	5,216	-	5,216	128	207	335	5,551
<b>TOTAL EXPENSES</b>	<b>\$ 4,141,226</b>	<b>\$ 426,261</b>	<b>\$ 4,567,487</b>	<b>\$ 509,072</b>	<b>\$ 50,008</b>	<b>\$ 559,080</b>	<b>\$ 5,126,567</b>



**CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 778,935	\$ 68,966
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	48,758	64,507
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Government grants receivable	143,994	(22,659)
Pledges receivable	(200,000)	-
Prepaid expenses and other assets	39,882	(38,747)
(Decrease) increase in:		
Accounts payable and accrued expenses	(161,392)	157,769
Accrued payroll and benefits	92,307	177,201
Due to related parties	(131,051)	267,326
Deferred revenue	<u>(4,861)</u>	<u>(8,546)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>606,572</u>	<u>665,817</u>
Cash and cash equivalents, beginning of the year	<u>1,297,748</u>	<u>631,931</u>
<b>CASH AND CASH EQUIVALENTS - END OF THE YEAR</b>	<u><u>\$ 1,904,320</u></u>	<u><u>\$ 1,297,748</u></u>

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

**CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES**

Children's Aid College Prep Charter School (the "Charter School") is an educational corporation formed to operate a charter school located in the City of New York, County of the Bronx. On September 13, 2011, the Board of Regents of the University of the State of New York, for and on behalf of the State Education Department, granted a provisional charter valid for a term of five years, incorporating the Charter School.

The Charter School's mission is to ensure that children achieve academic success by providing them with the best instructional practices, advancing their physical, emotional, and social needs, fostering a sense of pride and hope, and serving as a safe and engaging community hub. The Charter School serves over 300 scholars kindergarten through fourth-grade students and prioritizes students who are English language learners, at-risk of academic failure and/or currently involved in the child welfare system. The Charter School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code and is classified as an organization described in Section 501(c)(3).

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. ***Basis of Presentation*** – The Charter School maintains its net assets under the following three classes;

Unrestricted – This represents net assets not subject to donor-imposed stipulations and that have no time restrictions.

Temporarily Restricted – This represents net assets subject to donor-imposed stipulations that will be met by actions of the Charter School or by the passage of time. Temporarily restricted net assets received and released during the same period are treated as unrestricted net assets.

Permanently Restricted – This represents net assets subject to donor-imposed restrictions on the corpus of the gifts specifying they be maintained in perpetuity. There were no permanently restricted net assets as of June 30, 2016 and 2015, respectively.

- B. ***Cash and Cash Equivalents*** – Cash equivalents include all highly liquid instruments purchased with original maturities of 90 days or less.
- C. ***Contributions/Pledges Receivable*** - Contributions received, including unconditional promises to give, are recognized as revenues in the appropriate category of net assets in the period received. Conditional promises to give are recognized when they become unconditional, that is, when the conditions are substantially met. All contributions receivable are expected to be collected within one year.

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of the acquisition of such long-lived assets. During the years ended June 30, 2016 and 2015, the Charter School received contributed supplies of \$21,031 and \$17,222, respectively.

- D. ***Government Support*** – 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 contract are recorded by the Charter School when qualifying expenditures are incurred and billable.

**CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- E. ***Allowance for Uncollectible Receivables*** – Government grants and contributions receivables are stated at the amount management expects to collect from outstanding balances. The Charter School determined that no allowance for doubtful accounts was necessary as of June 30, 2016 and 2015. This estimate is based on management's assessment of the aged basis of its government funding sources, current economic conditions and creditworthiness of its donors and grantors.
- F. ***Property and Equipment*** - The Charter School follows the practice of capitalizing expenditures for buildings and building improvements, furniture and equipment having a cost of \$5,000 or more and useful life of over a year. Depreciation is recognized using the straight-line method over the estimated useful lives of the respective assets. Amortization of leasehold improvements is charged at the lesser of the life of the improvements or the term of the lease.
- The range of estimated useful lives follows:
- |                         |               |
|-------------------------|---------------|
| Furniture and Equipment | 5 -10 years   |
| Leasehold improvements  | Life of lease |
- G. ***Measure of Operations*** - The Charter School includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, except for contributions.
- H. ***Donated Services*** - Donated services are recognized in the accompanying financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation.
- I. ***Functional Allocation of Expenses*** - The cost of providing the various program and supporting services has been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.
- J. ***Use of Estimates*** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements, and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

**NOTE 3 – GOVERNMENT GRANTS RECEIVABLE**

Grants and contract receivable consist of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Due from the City of New York	\$ 39,148	\$ 57,019
Due from the State of New York	-	200,000
Due from Federal Sources	<u>142,751</u>	<u>68,874</u>
	<u>\$ 181,899</u>	<u>\$ 325,893</u>

**CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 4 – PLEDGES RECEIVABLE**

Pledges receivable as of June 30, 2016 in the amount of \$200,000 are all due within one year.

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 254,262	\$ 254,262
Leasehold improvements	<u>57,569</u>	<u>57,569</u>
	311,831	311,831
Less: accumulated depreciation and amortization	<u>(210,945)</u>	<u>(162,187)</u>
	<u>\$ 100,886</u>	<u>\$ 149,64</u>

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 amounted to \$48,758 and \$64,507, respectively.

**NOTE 6 –TEMPORARILY RESTRICTED NET ASSETS**

The Charter School's temporarily restricted net assets consisted of \$250,000 for life coaching.

**NOTE 7 – RETIREMENT PLAN**

Effective August 1, 2014, the Charter School sponsors a defined contribution retirement plan covering eligible employees. Pursuant to the plan, all employees can contribute up to the maximum allowed by law, and for eligible employees, the Charter School may make matching contributions equal to a discretionary percentage, to be determined by the Charter School. Eligible employees are all employees at least 21 years of age, continuously employed for at least one full year and working a schedule of at least 1,000 hours per year. Employees become fully vested in the Charter School's contribution upon three years of service. Total retirement plan expense for the year ended June 30, 2016 amounted to \$16,153.

**NOTE 8- SCHOOL FACILITY**

As part of the New York City Chancellor's Charter School Initiative, New York City Department of Education has committed space to the Charter School at no charge. The facilities and services provided by the New York City Department of Education to the Charter School are outlined in a Shared Facility Use Agreement. The agreement is for three years or until termination of the Charter School's charter.

**NOTE 9- COMMITMENTS AND CONTINGENCIES**

- A. The Charter School has no uncertain tax positions as of June 30, 2016 and 2015 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- B. Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowances 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.

**CHILDREN'S AID COLLEGE PREP CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 10 - CONCENTRATIONS**

- A. The Charter School receives a majority of its revenues from the New York State Education Department through the New York City Department of Education Office of Charter Schools. The New York City Department of Education provides general operating support to the Charter School based upon the location and the number of students enrolled. For the years ended June 30, 2016 and 2015, operating support provided to the Charter School by the New York City Department of Education totaled \$4,924,470 and \$4,427,982. The Charter School is dependent upon this level of funding in order to continue its operations.
- B. Cash accounts that potentially subject the Charter School to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of June 30, 2016 and 2015, there was approximately \$1,658,000 and \$1,066,000, respectively, of cash and cash equivalents held by a bank that exceeded FDIC limits.

**NOTE 11- RELATED-PARTY TRANSACTIONS**

The Charter School and The Children's Aid Society ("CAS"), a not-for-profit organization, are related through certain Board commonality. CAS provides administrative support services and other enrichment programs and services to the students of Charter School ("wrap-around services") to the Charter School under an agreement between the two entities. The Charter School pays an administrative fee equal to 10.6% of total operating expenses, excluding rent and depreciation, to CAS for the administrative services, which amounted to \$461,017 and \$485,152 for the years ended June 30, 2016 and 2015, respectively. In addition, the Charter School was charged a fee for wrap-around and other services totaling to \$475,084 and \$447,474 for the years ended June 30, 2016 and 2015, respectively.

Children's Aid routinely receives contributions from private donors that are earmarked for the Charter School. These contributions are recorded as contribution income passed through by Children's Aid to the Charter School. The Charter School received \$377,947 and \$272,750 of contributions passed through by Children's Aid for the years ended June 30, 2016 and 2015, respectively.

The Charter School owed \$208,814 and \$339,865 to CAS as of June 30, 2016 and 2015, respectively.

**NOTE 12 - SUBSEQUENT EVENTS**

Management has evaluated, for potential accrual or disclosure, events subsequent to the date of the statements of financial position through October 25, 2016, the date the financial statements were available to be issued.

Subsequent to the fiscal year ending June 30, 2016, the Charter School is in the process of applying for its charter renewal which is set to expire in September 2017. Management's position is that it expects the provisional charter to be renewed. However the possibility exists that the State Education Department may decide not to extend the provisional charter thereby closing the Charter School as of June 30, 2017.

**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**

To the Board of Trustees of  
Children's Aid College Prep 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 the Children's Aid College Prep Charter School (the "Charter School") which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the Charter School'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. 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 the 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 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 Charter 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 Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Marks Paneth LLP*

New York, NY  
October 25, 2016