

KINGS COLLEGIATE 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
Kings Collegiate Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Kings Collegiate 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 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 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 Kings Collegiate Charter School as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Kings Collegiate 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 Kings Collegiate 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 Kings Collegiate Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 20, 2015

KINGS COLLEGIATE 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	\$ 2,091,688	\$ 1,825,071
Certificates of deposit	264,189	263,136
Grants and other receivables	95,226	117,868
Prepaid expenses	150,925	165,843
TOTAL CURRENT ASSETS	2,602,028	2,371,918
<u>PROPERTY AND EQUIPMENT, net</u>	353,938	389,004
TOTAL ASSETS	<u>\$ 2,955,966</u>	<u>\$ 2,760,922</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 227,533	\$ 400,640
<u>NET ASSETS, unrestricted</u>		
Designated for stability fund	1,269,000	1,124,000
Undesignated	1,459,433	1,236,282
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,955,966</u>	<u>\$ 2,760,922</u>

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

KINGS COLLEGIATE CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

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

	Year ended June 30,	
	2015	2014
Operating revenue and support:		
State and local per pupil operating revenue	\$ 7,136,309	\$ 5,767,604
Government grants	289,220	290,036
Contributions	301,000	364,150
Other income	56,618	31,640
TOTAL OPERATING REVENUE AND SUPPORT	7,783,147	6,453,430
Expenses:		
Program services - education	6,598,305	5,658,868
General and administrative	816,691	655,393
TOTAL EXPENSES	7,414,996	6,314,261
CHANGE IN NET ASSETS	368,151	139,169
Unrestricted net assets at beginning of year	2,360,282	2,221,113
UNRESTRICTED NET ASSETS AT END OF YEAR	\$ 2,728,433	\$ 2,360,282

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

KINGS COLLEGIATE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

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

	Year ended June 30,			
	2015			2014
	Program services - education	General and administrative	Total	Total
Salaries	\$ 3,914,459	\$ 341,233	\$ 4,255,692	\$ 3,752,894
Payroll taxes and employee benefits	650,340	56,233	706,573	606,432
Occupancy	139,419	-	139,419	127,047
Repairs and maintenance	235,041	249	235,290	208,603
Textbooks	30,029	-	30,029	39,471
Instructional supplies and assessments	103,707	-	103,707	65,881
Computer and technology support	252,014	-	252,014	154,736
Student enrichment and services	359,971	-	359,971	231,054
Professional development	223,336	-	223,336	175,635
Professional services	-	28,611	28,611	22,306
Telephone	-	88,712	88,712	71,132
Insurance	-	81,662	81,662	76,150
Management fees	500,440	88,313	588,753	479,760
Office expense	59,441	118,018	177,459	147,613
Depreciation and amortization	129,922	4,313	134,235	134,806
Bad debt expense	186	-	186	7,250
Other	-	9,347	9,347	13,491
	<u>\$ 6,598,305</u>	<u>\$ 816,691</u>	<u>\$ 7,414,996</u>	<u>\$ 6,314,261</u>

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

KINGS COLLEGIATE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

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

	Year ended June 30,	
	2015	2014
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 368,151	\$ 139,169
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Bad debt expense	186	7,250
Depreciation and amortization	134,235	134,806
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	22,456	(27,463)
Due from related parties	-	279,173
Prepaid expenses	14,918	(63,822)
Accounts payable and accrued expenses	<u>(173,107)</u>	<u>(64,289)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	366,839	404,824
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(99,169)	(242,641)
Purchases of certificates of deposit	<u>(1,053)</u>	<u>(1,048)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(100,222)</u>	<u>(243,689)</u>
NET INCREASE IN CASH	266,617	161,135
Cash at beginning of year	<u>1,825,071</u>	<u>1,663,936</u>
CASH AT END OF YEAR	<u>\$ 2,091,688</u>	<u>\$ 1,825,071</u>

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

KINGS COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(With Comparative Totals for 2014)

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

The Charter School

Kings Collegiate Charter School (the “Charter School”), is an educational corporation operating as a charter school in the borough of Brooklyn, New York City. On July 31, 2006, 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 on January 25, 2012 for an additional five years and renewable upon expiration.

The Charter School’s mission is to prepare each student for college.

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.

KINGS COLLEGIATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, Cont'd

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 Federal Deposit Insurance Corporation 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.

Certificates of deposit

Certificates of deposit represent certificates of deposit with maturities of nine months or less. In the normal course of business, the certificates of deposit 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, 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.

KINGS COLLEGIATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, Cont'd

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 in the U.S. federal jurisdiction. With few exceptions, as of June 30, 2015, 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, 2012. 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 \$33,961 and \$24,316 in the years ended June 30, 2015 and 2014, respectively, and they 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.

KINGS COLLEGIATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, Cont'd

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, 2007 which was renewed for an additional five years on July 1, 2012, 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% in 2011 and 9% for 2012 through 2017. The fee incurred for the years ended June 30, 2015 and 2014 was approximately \$589,000 and \$480,000, respectively. At June 30, 2015 and 2014, approximately \$79,000 and \$141,000, respectively, are included in accounts payable relating to USI. At June 30, 2015 and 2014, approximately \$3,000 and \$3,100, respectively are included in accounts receivable relating to USI.

The Charter School is related to Williamsburg Collegiate Charter School, Ocean Hill Collegiate Charter School, Brooklyn East Collegiate Charter School, Bedford Stuyvesant Collegiate Charter School and Brownsville Collegiate 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.

In December 2011, the Charter School entered into a memorandum of understanding with Williamsburg Collegiate Charter School and Excellence Charter Schools to co-locate in a shared high school beginning in the 2011 – 2012 school year. The Charter School is the funding agent for the shared high school and expenses are allocated among applicable schools based on full time equivalent numbers. At June 30, 2015, there were related party receivables of approximately \$5,000 included in grants and other receivables related to this agreement. At June 30, 2014 there were no related party receivables.

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

In November 2013, a wholly-owned subsidiary of USI was created, Uncommon Crown Heights, LLC ("Crown Heights"), to manage the high school facility shared between an unrelated charter school and Williamsburg Collegiate Charter School, Excellence Charter Schools, and the Charter School. All schools located in the shared high school entered into an administrative costs management agreement and advanced Crown Heights funds to operate the location. The Schools will be charged an annual service fee of 0.5% of the combined facility budget by Crown Heights. There was no fee charged for the years ended June 30, 2015 and 2014. Actual expenses are tracked and allocated to each party based on metrics developed by management. Depending on the actual expenses incurred, a prepaid balance or payable could exist at any given time. At June 30, 2015 approximately \$95,000 is included in prepaid expenses to Crown Heights. At June 30, 2014, approximately \$83,000, is included in accounts payable due to Crown Heights.

KINGS COLLEGIATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015
(With Comparative Totals for 2014)

NOTE C: SCHOOL FACILITY

The Charter School is located in a New York City Department of Education facility. At June 30, 2015 and 2014, the Board of Trustees has designated \$1,269,000 and \$1,124,000, respectively, as a stability fund to meet future needs of the Charter School. During the year ended June 30, 2015, the Charter School paid no fee to the New York City Department of Education for additional after-school and weekend usage. During the year ended June 30, 2014, the Charter School paid a fee to the New York City Department of Education for additional after-school and weekend usage amounting to approximately \$4,400.

The Charter School's high school occupies space with a related charter school per a verbal agreement with a third party at no charge. At June 30, 2015 and 2014, the Charter School paid certain utility and maintenance services on a square footage basis amounting to approximately \$139,400 and \$122,600, respectively.

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 341,825	\$ 341,825
Furniture and fixtures	210,291	196,796
Computers and software	<u>530,366</u>	<u>444,692</u>
	1,082,482	983,313
Less accumulated depreciation and amortization	<u>728,544</u>	<u>594,309</u>
	<u><u>\$ 353,938</u></u>	<u><u>\$ 389,004</u></u>

NOTE E: OPERATING LEASES

The Charter School leases office equipment under non-cancelable lease agreements expiring through June 2018. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 44,144
2017	21,982
2018	<u>16,068</u>
	<u><u>\$ 82,194</u></u>

KINGS COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2015

(With Comparative Totals for 2014)

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 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 \$87,200 and \$64,000, respectively.

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, 2015, approximately 66% of accounts receivable was due from a grantor and 20% of accounts receivable was due from New York State. At June 30, 2014, approximately 62% of accounts receivable was due from a grantor and 17% of accounts receivable was due from New York State, and 13% of accounts receivable was due from New York City.

During the years ended June 30, 2015 and 2014, 92% and 89%, 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.

NOTE I: MERGER

In December 2014, the Charter School's Board of Trustees approved a 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, Brooklyn East Collegiate Charter School, Leadership Preparatory Brownsville Charter School, Leadership Preparatory Canarsie Charter School, Leadership Preparatory Ocean Hill 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.

KINGS COLLEGIATE CHARTER SCHOOL

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Kings Collegiate Charter School

We have audited the financial statements of Kings Collegiate Charter School as of and for the year ended June 30, 2015, and we 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, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 20, 2015

KINGS COLLEGIATE CHARTER SCHOOL

SCHEDULE OF MIDDLE SCHOOL AND HIGH SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2015

	<u>Middle School</u>	<u>High School</u>	<u>Total</u>
State and local per pupil operating revenue	\$ 4,630,630	\$ 2,505,679	\$ 7,136,309
Government grants	188,104	101,116	289,220
Contributions	-	301,000	301,000
Other income	<u>40,551</u>	<u>16,067</u>	<u>56,618</u>
TOTAL OPERATING REVENUE AND SUPPORT	4,859,285	2,923,862	7,783,147
Salaries	2,694,898	1,560,794	4,255,692
Payroll taxes and employee benefits	450,778	255,795	706,573
Occupancy	-	139,419	139,419
Repairs and maintenance	13,995	221,295	235,290
Textbooks	2,116	27,913	30,029
Instructional supplies and assessments	61,143	42,564	103,707
Computer and technology support	172,074	79,940	252,014
Student enrichment and services	282,635	77,336	359,971
Professional development	159,223	64,113	223,336
Professional services	20,748	7,863	28,611
Telephone	59,316	29,396	88,712
Insurance	41,551	40,111	81,662
Management fees	381,695	207,058	588,753
Office expense	127,743	49,716	177,459
Depreciation and amortization	108,358	25,877	134,235
Bad debt expense	186	-	186
Other	<u>5,641</u>	<u>3,706</u>	<u>9,347</u>
TOTAL EXPENSES	<u>4,582,100</u>	<u>2,832,896</u>	<u>7,414,996</u>
CHANGE IN NET ASSETS	<u>\$ 277,185</u>	<u>\$ 90,966</u>	<u>\$ 368,151</u>

KINGS COLLEGIATE CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

**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
Kings Collegiate 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 Kings Collegiate 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 Kings Collegiate 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 Kings Collegiate Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Kings Collegiate 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 Kings Collegiate 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*.

We noted certain matters that we reported to management of Kings Collegiate Charter School in a separate letter dated October 20, 2015.

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

KINGS COLLEGIATE CHARTER SCHOOL

ADVISORY COMMENT LETTER

JUNE 30, 2015



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

October 20, 2015

To the Board of Trustees
Kings Collegiate Charter School

In planning and performing our audit of the financial statements of Kings Collegiate 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 Kings Collegiate 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 Association'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.

During the course of our audit of the financial statements of Kings Collegiate Charter School as of June 30, 2015 and for the year then ended, we observed the Charter School's significant accounting policies and procedures and certain business, financial and administrative practices. As a result of our observations, we suggest you consider the following comment which we do not consider to be a significant deficiency or material weakness:

Expense Reimbursement Review and Approval

While performing our audit procedures we became aware of several altered receipts totaling \$1,137 in requested reimbursements. The Director of Operations or the Office Manager self-prepared receipts to support numerous expenses. We then expanded our scope and looked at all expense reimbursements requested by the Director of Operations where the initial issues were noted. During this review we also noted an additional \$1,694 of receipts that included hand written amounts or dates. Management was made aware of the issues and investigated the matter fully, determining that all receipts which were reimbursed (whether self-prepared or including handwritten information), were valid expenses for which the Director of Operations either could not locate the original copy receipt, or the print on the receipt had faded to the point of being barely legible.

Recommendation

We recommend that the Director of Operations and Office manager ensure they adhere to the policies as set forth in the Fiscal Policies and Procedures manual and submit the original receipts when substantiating expenses that are being submitted for reimbursement. We also recommend that the associate Chief Operating Officer or other designated employee closely review submitted documentation during their approval process to ensure deviations from the set policies and procedures are identified. This includes identifying altered documentation submitted with the reimbursement request.

We have also updated the status of the comments that were included in our letter dated October 16, 2014 and are included for informational purposes. We do not consider these deficiencies to be significant deficiencies or material weaknesses:

Records Retention and Maintenance

During our audit we noted one student file was not maintained for a student who transferred out of the School.

Recommendation

We recommend the Charter School adhere to their record retention and maintenance policy.

Status as of June 30, 2014

During our audit, we found one student file was not maintained for a student who transferred out of the School.

Status as of June 30, 2015

During our current year audit, we found one student file which did not contain a birth certificate or passport as required by the School's policy.

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We believe that the implementation of this recommendation will improve the controls in place and efficiency of the Charter School's internal control.

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 those 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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