

LEADERSHIP PREPARATORY BROWNSVILLE
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 Brownsville Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Leadership Preparatory Brownsville 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 consolidated 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 consolidated 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 Brownsville 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 Brownsville 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 Brownsville 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 Brownsville Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 20, 2015

LEADERSHIP PREPARATORY BROWNSVILLE 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	\$ 2,029,932	\$ 1,375,139
Grants and other receivables	122,279	119,762
Prepaid expenses	<u>7,923</u>	<u>53,512</u>
TOTAL CURRENT ASSETS	2,160,134	1,548,413
<u>PROPERTY AND EQUIPMENT</u> , net	<u>702,701</u>	<u>797,957</u>
TOTAL ASSETS	<u>\$ 2,862,835</u>	<u>\$ 2,346,370</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 241,686	\$ 338,407
<u>NET ASSETS</u>		
Unrestricted:		
Undesignated	2,071,149	1,842,963
Designated for stability fund	<u>550,000</u>	<u>165,000</u>
	<u>2,621,149</u>	<u>2,007,963</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,862,835</u>	<u>\$ 2,346,370</u>

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

LEADERSHIP PREPARATORY BROWNSVILLE 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	\$ 8,080,220	\$ 6,638,507
Government grants	396,860	342,777
Contributions	481	-
Other income	62,217	29,753
TOTAL OPERATING REVENUE AND SUPPORT	8,539,778	7,011,037
Expenses:		
Program services - education	7,014,289	5,633,741
General and administrative	912,303	918,038
TOTAL EXPENSES	7,926,592	6,551,779
CHANGE IN NET ASSETS	613,186	459,258
Unrestricted net assets at beginning of year	2,007,963	1,548,705
UNRESTRICTED NET ASSETS AT END OF YEAR	\$ 2,621,149	\$ 2,007,963

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

LEADERSHIP PREPARATORY BROWNSVILLE 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	\$ 4,286,334	\$ 334,329	\$ 4,620,663	\$ 3,890,302
Payroll taxes and employee benefits	692,739	52,286	745,025	604,059
Occupancy	-	-	-	1,650
Repairs and maintenance	70,491	20,210	90,701	49,461
Textbooks	49,367	-	49,367	32,899
Instructional supplies and assessments	161,112	-	161,112	144,133
Computer and technology support	341,525	-	341,525	176,790
Student enrichment and services	206,297	-	206,297	111,974
Professional development	326,270	-	326,270	280,559
Professional services	-	36,372	36,372	32,786
Telephone	-	98,965	98,965	105,323
Insurance	-	61,736	61,736	64,693
Management fees	604,407	106,660	711,067	620,557
Office expense	25,835	189,122	214,957	188,635
Depreciation and amortization	249,912	2,293	252,205	228,423
Other	-	10,330	10,330	19,535
	<u>\$ 7,014,289</u>	<u>\$ 912,303</u>	<u>\$ 7,926,592</u>	<u>\$ 6,551,779</u>

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

LEADERSHIP PREPARATORY BROWNSVILLE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

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

	June 30,	
	2015	2014
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 613,186	\$ 459,258
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	252,205	228,423
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(2,517)	(30,061)
Prepaid expenses	45,589	(4,776)
Accounts payable and accrued expenses	<u>(96,721)</u>	<u>176,780</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	811,742	829,624
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(156,949)</u>	<u>(316,796)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(156,949)</u>	<u>(316,796)</u>
NET INCREASE IN CASH	654,793	512,828
Cash at beginning of year	<u>1,375,139</u>	<u>862,311</u>
CASH AT END OF YEAR	<u>\$ 2,029,932</u>	<u>\$ 1,375,139</u>

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

LEADERSHIP PREPARATORY BROWNSVILLE 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 Brownsville Charter School (the “Charter School”), is an educational corporation operating as a charter school in the borough of Brooklyn, New York City. On February 23, 2009, 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 to commence October 27, 2013 and to terminate on July 31, 2014. Thereafter, the Charter School was approved for a three year short-term charter renewal.

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

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

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

LEADERSHIP PREPARATORY BROWNSVILLE 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

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

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.

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 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.

Tax exempt status

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

The Charter School has filed for and received income tax exemptions in the jurisdictions where it is required to do so. The Charter School files the Form 990 tax returns in the U.S. federal jurisdiction. With few exceptions, as of June 30, 2015, the Charter School is no longer subject to U.S. federal income tax examinations by tax authorities for 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.

LEADERSHIP PREPARATORY BROWNSVILLE 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

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 in the years ended June 30, 2015 and 2014 totaling \$43,448 and \$29,733, respectively. Such in-kind contributions are included in other income on 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 BROWNSVILLE 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 \$711,000 and \$621,000, respectively. At June 30, 2015 and 2014, approximately \$110,000 and \$216,000, respectively, are included in accounts payable relating to USI. At June 30, 2015 and 2014, approximately \$4,000 and \$5,000, respectively, are included in accounts receivable relating to USI.

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

See Note I regarding a merger with related parties and the replacement of the agreement of 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, 2015, the Charter School did not pay any fees to the New York City Department of Education for additional after-school or 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 \$1,700. There were no fees incurred for the year ended June 30, 2015. At June 30, 2015 and 2014, the Board of Trustees has designated \$550,000 and \$165,000, respectively, as a stability fund to meet future needs of the Charter School.

LEADERSHIP PREPARATORY BROWNSVILLE 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:

	Year ended June 30,	
	2015	2014
Furniture and fixtures	\$ 145,884	\$ 145,884
Computers and software	827,753	722,834
Leasehold improvements	746,999	694,969
	1,720,636	1,563,687
Less accumulated depreciation and amortization	1,017,935	765,730
	<u>\$ 702,701</u>	<u>\$ 797,957</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 \$76,500 and \$52,600, 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 21% and 20%, respectively, of accounts receivable are due from New York State. At June 30, 2015 and 2014, approximately 70% and 76%, respectively, of accounts receivable are due from a grantor.

During the years ended June 30, 2015 and 2014, 95% 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 BROWNSVILLE 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 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	49,544
2017	31,352
2018	26,236
	<u>\$ 107,132</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, Brooklyn East Collegiate 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.

LEADERSHIP PREPARATORY BROWNSVILLE CHARTER SCHOOL

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Leadership Preparatory Brownsville Charter School

We have audited the financial statements of Leadership Preparatory Brownsville 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 conducted 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

LEADERSHIP PREPARATORY BROWNSVILLE CHARTER SCHOOL

SCHEDULE OF ELEMENTARY SCHOOL AND MIDDLE SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2015

	Elementary School	Middle School	Total
State and local per pupil operating revenue	\$ 5,673,261	\$ 2,406,959	\$ 8,080,220
Government grants	274,829	122,031	396,860
Contributions	-	481	481
Other income	<u>44,748</u>	<u>17,469</u>	<u>62,217</u>
TOTAL OPERATING REVENUE AND SUPPORT	5,992,838	2,546,940	8,539,778
Salaries	3,167,305	1,453,358	4,620,663
Payroll taxes and employee benefits	531,783	213,242	745,025
Repairs and maintenance	35,527	55,174	90,701
Textbooks	49,367	-	49,367
Instructional supplies and assessments	94,602	66,510	161,112
Computer and technology support	222,421	119,104	341,525
Student enrichment and services	106,192	100,105	206,297
Professional development	238,142	88,128	326,270
Professional services	24,087	12,285	36,372
Telephone	53,719	45,246	98,965
Insurance	47,911	13,825	61,736
Management fees	499,703	211,364	711,067
Office expense	125,265	89,692	214,957
Depreciation and amortization	130,020	122,185	252,205
Other	<u>8,205</u>	<u>2,125</u>	<u>10,330</u>
TOTAL EXPENSES	<u>5,334,249</u>	<u>2,592,343</u>	<u>7,926,592</u>
CHANGE IN NET ASSETS	<u>\$ 658,589</u>	<u>\$ (45,403)</u>	<u>\$ 613,186</u>

LEADERSHIP PREPARATORY BROWNSVILLE 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
Leadership Preparatory Brownsville 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 Brownsville 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 Brownsville 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 Brownsville Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Leadership Preparatory Brownsville 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 Brownsville 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 BROWNSVILLE
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 Brownsville Charter School

In planning and performing our audit of the financial statements of Leadership Preparatory Brownsville 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.

* * * * *

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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