

**LEADERSHIP PREPARATORY CANARSIE 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 Canarsie Charter School

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Leadership Preparatory Canarsie 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 Canarsie Charter School's June 30, 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 16, 2014. In our opinion, the summarized comparative information presented herein as of June 30, 2014 and for the period from October 28, 2008 (date of inception) to June 30, 2014 is consistent, in all material respects, with the 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 Canarsie 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 Canarsie Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 20, 2015

LEADERSHIP PREPARATORY CANARSIE CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

(With Comparative Totals for 2014)

<u>ASSETS</u>	June 30,	
	<u>2015</u>	<u>2014</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 48,061	\$ 467,323
Grants and other receivables	329,774	341,185
Prepaid expenses	<u>217,070</u>	<u>109,882</u>
TOTAL CURRENT ASSETS	594,905	918,390
<u>PROPERTY AND EQUIPMENT</u> , net	<u>424,062</u>	<u>437,338</u>
TOTAL ASSETS	<u>\$ 1,018,967</u>	<u>\$ 1,355,728</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 184,602	\$ 555,099
TOTAL CURRENT LIABILITIES	184,602	555,099
<u>NET ASSETS</u> , unrestricted		
Designated for stability fund	115,000	115,000
Undesignated	<u>719,365</u>	<u>685,629</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,018,967</u>	<u>\$ 1,355,728</u>

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

LEADERSHIP PREPARATORY CANARSIE 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	Period from October 28, 2008 (date of inception) to June 30, 2014
Operating revenue and support:		
State and local per pupil operating revenue	\$ 3,699,782	\$ 2,039,089
Government grants	274,391	591,248
Contributions	560,000	1,317,319
Other income	<u>14,207</u>	<u>7,755</u>
TOTAL OPERATING REVENUE AND SUPPORT	4,548,380	3,955,411
Expenses:		
Program services - education	3,780,490	2,424,707
General and administrative	<u>734,154</u>	<u>730,075</u>
TOTAL EXPENSES	<u>4,514,644</u>	<u>3,154,782</u>
CHANGE IN NET ASSETS	33,736	800,629
Unrestricted net assets at beginning of year	<u>800,629</u>	<u>-</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 834,365</u>	<u>\$ 800,629</u>

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

LEADERSHIP PREPARATORY CANARSIE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

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

	Year ended June 30, 2015			Period from October 28, 2008 (date of inception) to June 30, 2014
	Program services - education	General and administrative	Total	Total
Salaries	\$ 2,127,893	\$ 317,325	\$ 2,445,218	\$ 1,610,397
Payroll taxes and employee benefits	341,019	54,713	395,732	220,310
Repairs and maintenance	89,625	25,864	115,489	80,210
Textbooks	36,349	-	36,349	76,563
Occupancy	-	-	-	10,952
Instructional supplies and assessments	111,123	-	111,123	76,391
Computer and technology support	216,969	-	216,969	147,942
Student enrichment and services	113,371	-	113,371	62,678
Professional development	194,067	-	194,067	165,881
Professional services	-	17,687	17,687	20,900
Telephone	-	107,311	107,311	74,034
Insurance	-	37,608	37,608	24,428
Management fees	329,557	58,158	387,715	228,430
Office expense	25,416	110,091	135,507	100,295
Depreciation and amortization	195,101	329	195,430	141,231
Loss on disposal of equipment	-	-	-	105,669
Other	-	5,068	5,068	8,471
	<u>\$ 3,780,490</u>	<u>\$ 734,154</u>	<u>\$ 4,514,644</u>	<u>\$ 3,154,782</u>

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

LEADERSHIP PREPARATORY CANARSIE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

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

	Year ended June 30, 2015	Period from October 28, 2008 (date of inception) to June 30, 2014
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 33,736	800,629
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:		
Depreciation and amortization	195,430	141,231
Loss on disposal of equipment	-	105,669
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	11,411	(341,185)
Prepaid expenses	(107,188)	(109,882)
Accounts payable and accrued expenses	<u>(370,497)</u>	<u>555,099</u>
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(237,108)	1,151,561
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(182,154)</u>	<u>(684,238)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(182,154)</u>	<u>(684,238)</u>
NET (DECREASE) INCREASE IN CASH	(419,262)	467,323
Cash at beginning of year	<u>467,323</u>	<u>-</u>
CASH AT END OF YEAR	<u>\$ 48,061</u>	<u>\$ 467,323</u>

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

LEADERSHIP PREPARATORY CANARSIE 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 Canarsie Charter School (the “Charter School”), is an educational corporation operating as a charter school in the borough of Brooklyn, New York City. On October 28, 2008, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years which was renewed for an additional five years effective October 27, 2013 and renewable upon expiration.

The Board of Trustees approved a change in the name of the Charter School on December 4, 2012 to Leadership Preparatory Canarsie Charter School. The Charter School was formerly known as Leadership Preparatory Flatbush Charter School. Management was in the process of formally amending the Charter School’s charter. See Note I regarding merger and charter status.

The Charter School’s mission is to teach students the academic skills, knowledge, and personal traits necessary to succeed in high school, college, and beyond. Through academic achievement students prepare to contribute as leaders in 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. 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 and 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 and 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.

LEADERSHIP PREPARATORY CANARSIE 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 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.

Contributions

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

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

Cash

Cash balances are maintained at financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2015 or 2014.

Property and equipment

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

LEADERSHIP PREPARATORY CANARSIE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

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

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

Cont'd

Tax exempt status

The Charter School has applied for and is currently awaiting tax-exempt status under section 501(c)(3) of the Internal Revenue Code and applicable state regulations. The Charter School believes it will be awarded tax-exempt status and, therefore, has not recorded any income tax expense for the period ended June 30, 2015 or 2014.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax return for the years ended June 30, 2013 through June 30, 2015 are still subject to potential audit by the IRS. There were no tax returns filed for the periods ended June 30, 2009 through 2012. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize 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 \$14,133 and \$7,676 in the year and period ended June 30, 2015 and 2014, respectively, and are included in other income in the accompanying statements of activities and changes in net assets for the periods then ended.

Comparatives for year ended June 30, 2014

The financial statements include certain prior year summarized comparative information in total by 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 period ended June 30, 2014, from which the summarized information was derived.

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.

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 CANARSIE 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, 2013, 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 10% for years 1-5. The fee incurred for the year and period ended June 30, 2015 and 2014, was approximately \$388,000 and \$228,000, respectively. At June 30, 2015 and 2014, approximately \$126,000 and \$448,000, respectively, is included in accounts payable, relating to USI. At June 30, 2015 and 2014, approximately \$3,000 is included in accounts receivable, relating to USI.

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

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

NOTE C: SCHOOL FACILITY

The Charter School is located in a New York City Department of Education facility. During the year ended June 30, 2015, the Charter School did not pay any fees to the New York City Department of Education for additional after-school and weekend usage. During the period 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 \$11,000. At June 30, 2015 and 2014, the Board of Trustees has designated \$115,000 as a stability fund to meet future needs of the Charter School.

LEADERSHIP PREPARATORY CANARSIE 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:

	June 30,	
	2015	2014
Furniture and fixtures	\$ 15,452	\$ 15,452
Computers and software	542,258	455,865
Leasehold improvements	203,013	107,252
	760,723	578,569
Less accumulated depreciation and amortization	336,661	141,231
	\$ 424,062	\$ 437,338

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 year and period ended June 30, 2015 and 2014 approximated \$58,600 and \$19,400, 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, approximately 40% of accounts receivable are due from New York State and 27% is due from a grantor. At June 30, 2014, approximately 47% of accounts receivable are due from New York State, 31% and 21% of accounts receivable are due from two grantors, respectively.

During the year ended June 30, 2015, 81% of total operating revenue and support came from per-pupil funding provided by New York State and 10% came from a grantor. During the period ended June 30, 2014, 52% 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 CANARSIE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

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

NOTE H: OPERATING LEASE

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

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 38,388
2017	16,176
2018	10,784
	<u>\$ 65,348</u>

NOTE I: MERGER

In December 2014, the Charter School's Board of Trustees approved the merger of the Charter School and Leadership Preparatory Bedford Stuyvesant Charter School, as the successor Charter School under the name Uncommon New York City Charter Schools, in conjunction with Excellence Charter Schools, Bedford Stuyvesant Collegiate Charter School, Brownsville Collegiate Charter School, Kings Collegiate Charter School, Leadership Preparatory Brownsville Charter School, Brooklyn East Collegiate 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 support services to Uncommon New York City Charter Schools.

LEADERSHIP PREPARATORY CANARSIE CHARTER SCHOOL

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Leadership Preparatory Canarsie Charter School

We have audited the financial statements of Leadership Preparatory Canarsie Charter School as of and for the year ended June 30, 2015, and we have issued our report thereon dated October 20, 2015, which expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the 2015 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 2015 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 2015 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2015 financial statements or to the 2015 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.

We have audited the financial statements of Leadership Preparatory Canarsie Charter School as of and for the period from October 28, 2008 (date of inception) to June 30, 2014, and have issued our report thereon dated October 16, 2014, 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 2014 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 period from October 28, 2008 (date of inception) to June 30, 2014 taken as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 20, 2015

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LEADERSHIP PREPARATORY CANARSIE CHARTER SCHOOL

SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2015 AND 2014,
THE PERIOD FROM OCTOBER 28, 2008 (DATE OF INCEPTION) TO JUNE 30, 2013, AND
THE PERIOD FROM OCTOBER 28, 2008 (DATE OF INCEPTION) TO JUNE 30, 2014

	<u>Year ended June 30,</u>		<u>Period from</u>	<u>Period from</u>
	<u>2015</u>	<u>2014</u>	<u>October 28,</u>	<u>October 28,</u>
			<u>2008 (date of</u>	<u>2008 (date of</u>
			<u>inception) to</u>	<u>inception) to</u>
			<u>June 30, 2013</u>	<u>June 30, 2014</u>
State and local per pupil operating revenue	\$ 3,699,782	\$ 2,039,089	\$ -	\$ 2,039,089
Government grants	274,391	367,254	223,994	591,248
Contributions	560,000	1,080,369	236,950	1,317,319
Other income	<u>14,207</u>	<u>7,696</u>	<u>59</u>	<u>7,755</u>
TOTAL OPERATING REVENUE				
AND SUPPORT	4,548,380	3,494,408	461,003	3,955,411
Salaries	2,445,218	1,456,410	153,987	1,610,397
Payroll taxes and employee benefits	395,732	219,839	471	220,310
Repairs and maintenance	115,489	59,503	20,707	80,210
Textbooks	36,349	28,560	48,003	76,563
Occupancy	-	10,952	-	10,952
Instructional supplies and assessments	111,123	75,892	499	76,391
Computer and technology supplies	216,969	147,242	700	147,942
Student enrichment and services	113,371	62,678	-	62,678
Professional development	194,067	140,956	24,925	165,881
Professional services	17,687	18,900	2,000	20,900
Telephone	107,311	73,317	717	74,034
Insurance	37,608	24,428	-	24,428
Management fees	387,715	228,430	-	228,430
Office expense	135,507	99,882	413	100,295
Depreciation and amortization	195,430	141,060	171	141,231
Loss on disposal of equipment	-	105,669	-	105,669
Other	<u>5,068</u>	<u>8,387</u>	<u>84</u>	<u>8,471</u>
TOTAL EXPENSES	<u>4,514,644</u>	<u>2,902,105</u>	<u>252,677</u>	<u>3,154,782</u>
CHANGE IN NET ASSETS	\$ <u>33,736</u>	\$ <u>592,303</u>	\$ <u>208,326</u>	\$ <u>800,629</u>

LEADERSHIP PREPARATORY CANARSIE CHARTER SCHOOL
SCHEDULE OF ELEMENTARY AND MIDDLE SCHOOL ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Elementary School	Middle School	Total
State and local per pupil operating revenue	\$ 1,428,145	\$ 2,271,637	\$ 3,699,782
Government grants	118,601	155,790	274,391
Contributions	395,000	165,000	560,000
Other income	<u>5,813</u>	<u>8,394</u>	<u>14,207</u>
TOTAL OPERATING REVENUE AND SUPPORT	1,947,559	2,600,821	4,548,380
Salaries	1,037,356	1,407,862	2,445,218
Payroll taxes and employee benefits	174,011	221,721	395,732
Repairs and maintenance	52,470	63,019	115,489
Textbooks	26,102	10,247	36,349
Occupancy	-	-	-
Instructional supplies and assessments	70,639	40,484	111,123
Computer and technology supplies	99,814	117,155	216,969
Student enrichment and services	20,509	92,862	113,371
Professional development	102,902	91,165	194,067
Professional services	10,666	7,021	17,687
Telephone	48,882	58,429	107,311
Insurance	20,567	17,041	37,608
Management fees	150,051	237,664	387,715
Office expense	33,455	102,052	135,507
Depreciation and amortization	110,787	84,643	195,430
Other	<u>1,813</u>	<u>3,255</u>	<u>5,068</u>
TOTAL EXPENSES	<u>1,960,024</u>	<u>2,554,620</u>	<u>4,514,644</u>
CHANGE IN NET ASSETS	<u>\$ (12,465)</u>	<u>\$ 46,201</u>	<u>\$ 33,736</u>

LEADERSHIP PREPARATORY CANARSIE 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 Canarsie 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 Canarsie 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 the 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 Canarsie 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 Canarsie Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Leadership Preparatory Canarsie 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 Canarsie Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Leadership Preparatory Canarsie 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

**LEADERSHIP PREPARATORY CANARSIE
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 Canarsie Charter School

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

During the course of our audit of the financial statements of Leadership Preparatory Canarsie 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:

Review of Fixed Asset Listing

During our audit we discovered an asset above the School's capitalization threshold that was improperly expensed.

Recommendation

We recommend that fixed assets be capitalized as they are acquired versus waiting until year-end close to move assets from expense accounts to asset accounts. Further, we recommend the expense accounts and asset listings be thoroughly reviewed on an annual basis to ensure that all assets requiring capitalization have been properly capitalized.

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

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

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP