

MANHATTAN CHARTER SCHOOL II

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES OF
MANHATTAN CHARTER SCHOOL II

Report on the Financial Statements

We have audited the accompanying financial statements of Manhattan Charter School II (the "School") (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, 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 School'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 School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2015, and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School's 2014 financial statements, and our report dated September 30, 2014, expressed an unmodified opinion on those audited financial statements. 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2015 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.


FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
September 16, 2015

MANHATTAN CHARTER SCHOOL II
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 925,977	\$ 646,083
Grants and contracts receivable	16,214	42,117
Prepaid expenses and other current assets	<u>56,581</u>	<u>32,039</u>
Total current assets	998,772	720,239
Property and equipment, net of accumulated depreciation and amortization of \$152,664 and \$91,792, respectively	162,363	169,122
Restricted cash	<u>75,239</u>	<u>50,078</u>
TOTAL ASSETS	<u><u>\$ 1,236,374</u></u>	<u><u>\$ 939,439</u></u>
 LIABILITIES AND UNRESTRICTED NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 43,826	\$ 40,583
Accrued payroll and payroll taxes	276,665	184,708
Due to related party	163,514	156,609
Refundable advances	<u>4,533</u>	<u>7,629</u>
Total current liabilities	488,538	389,529
Unrestricted net assets	<u>747,836</u>	<u>549,910</u>
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	<u><u>\$ 1,236,374</u></u>	<u><u>\$ 939,439</u></u>

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

MANHATTAN CHARTER SCHOOL II
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	<u>2015</u>	<u>2014</u>
Revenue and support:		
State and local per pupil operating revenue	\$ 2,596,683	\$ 1,987,204
Federal grants	96,629	242,162
State and city grants	14,428	31,839
Contributions and grants	59,650	44,304
Interest	<u>161</u>	<u>87</u>
Total revenue and support	<u>2,767,551</u>	<u>2,305,596</u>
Expenses:		
Program services:		
Regular education	1,931,068	1,395,569
Special education	243,078	289,928
Extended day	<u>33,272</u>	<u>11,887</u>
Total program services	2,207,418	1,697,384
Supporting services:		
Management and general	339,074	264,054
Fundraising	<u>23,133</u>	<u>9,407</u>
Total expenses	<u>2,569,625</u>	<u>1,970,845</u>
Changes in unrestricted net assets	197,926	334,751
Unrestricted net assets - beginning of year	<u>549,910</u>	<u>215,159</u>
Unrestricted net assets - end of year	<u><u>\$ 747,836</u></u>	<u><u>\$ 549,910</u></u>

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

MANHATTAN CHARTER SCHOOL II
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in unrestricted net assets	\$ 197,926	\$ 334,751
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	60,872	51,805
Changes in certain assets and liabilities:		
Decrease (Increase) in grants and contracts receivable	25,903	26,030
(Increase) in prepaid expenses and other current assets	(24,542)	(21,329)
Increase in due to related party	6,905	9,994
Increase in accounts payable and accrued expenses	3,243	13,813
Increase in accrued payroll and payroll taxes	91,958	43,686
(Decrease) Increase in refundable advances	<u>(3,096)</u>	<u>7,629</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>359,169</u>	<u>466,379</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in restricted cash	(25,161)	(25,076)
Purchase of property and equipment	<u>(54,113)</u>	<u>(29,538)</u>
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(79,274)</u>	<u>(54,614)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	279,895	411,765
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>646,082</u>	<u>234,317</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 925,977</u></u>	<u><u>\$ 646,082</u></u>

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

MANHATTAN CHARTER SCHOOL II
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Manhattan Charter School II (the "School") is a New York State, not-for-profit educational corporation that was incorporated to operate a Charter School pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on September 13, 2011 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The School's mission is to prepare its students to achieve high academic levels in the four core subject areas, communicate effectively in verbal, mathematical and musical languages, and to apply critical thinking processes and ethical standards to learning, living and problem solving. Classes commenced in September 2012 and the School provided education to approximately 175 students in kindergarten through third grade during the 2014-2015 academic year.

The School shares space with New York City public schools beginning in August 2012. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services other than security related to the School's programs that take place outside the district's school day.

Food and Transportation Services

The New York City Department of Education provides free lunches and reduced-price lunches and transportation to a majority of the School's students. Such costs are not included in these financial statements. The School covers the cost of lunches for children entitled to reduced – priced and free lunches. The School also receives reimbursement from parents who are charged full price for these lunches.

Tax Status

The School is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii). The School is subject to income taxes only on net unrelated business income. The School did not have net unrelated business income for the years ended June 30, 2015 and 2014.

The School's accounting policy provides that a tax expense or benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The School has no uncertain tax position resulting in an accrual of tax expense or benefit.

IRS Forms 990 filed by the School are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. All Forms 990 filed by the School are subject to examination.

MANHATTAN CHARTER SCHOOL II
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board ("FASB") in its Accounting Standards Codification ("ASC") 958-205. Under ASC 958-205, the School is required to report 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. The net assets classifications are described as follows:

Unrestricted

Unrestricted net assets of the School consists of cash and otherwise unrestricted amounts that are available for use in carrying out the objectives of the School and include those expendable resources, which have been designated for special use by the School or the Board of Trustees.

Temporarily Restricted

Temporarily restricted net assets of the School represent those amounts that have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the School. When such stipulations end or are fulfilled, such 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.

Permanently Restricted

Permanently restricted net assets of the School result from contributions whose use has been permanently limited by donor-imposed restrictions. Such assets include contributions required to be invested in perpetuity, the income from which is available to support charitable purposes designated by the donors.

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

Revenue and Support

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

MANHATTAN CHARTER SCHOOL II
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments which potentially subject the School to concentrations of credit risk are cash and cash equivalents. The School places its cash and cash equivalents on deposit in what it believes to be highly credited financial institutions. Cash balances in non-investment accounts may exceed the FDIC insured levels of \$250,000 per institution at various times during the year. The School believes that there is little risk in any losses and has not experienced any losses in such accounts.

Property and Equipment

Purchased property and equipment are recorded at cost. Maintenance and repairs are expensed as incurred. Depreciation is provided on the straight line method over the estimated useful lives as follows:

Furniture and fixtures	7 years
Leasehold improvements	Useful life or related lease
Computers and equipment	3 and 5 years
Software	3 years

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution should it occur.

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

MANHATTAN CHARTER SCHOOL II
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Information

The accompanying statements of activities and functional expenses are presented with summarized comparative information. Such prior year information is not presented by net asset class in the statements of activities or by functional category in the schedule of functional expenses. Accordingly, such information should be read in conjunction with the School's 2014 financial statements from which the summarized information was derived.

Reclassifications

Certain 2014 accounts have been reclassified to the 2015 financial statements presentation. The reclassification has no effect on 2014 total assets, liabilities, net assets, and change in net assets.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of federal, state, and city entitlements and grants. The School expects to collect these receivables within one year. Grants and contracts receivable consist of the following as of June 30,:

	<u>2015</u>	<u>2014</u>
Federal title I and II	\$ 9,452	\$ 9,330
Federal CSP grant	-	32,787
Federal E-rate reimbursement	1,692	-
School district tuition	5,070	-
	<u>\$ 16,214</u>	<u>\$ 42,117</u>

NOTE 3 - PROPERTY AND EQUIPMENT

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

	<u>2015</u>	<u>2014</u>
Furniture and fixtures	\$ 51,566	\$ 39,456
Computers and equipment	142,812	115,709
Software	3,690	3,690
Leasehold Improvements	116,959	102,059
	315,027	260,914
Less: Accumulated depreciation and amortization	152,664	91,792
	<u>\$ 162,363</u>	<u>\$ 169,122</u>

Depreciation and amortization expense was \$60,872 and \$51,805 for the years ended June 30, 2015 and 2014, respectively.

MANHATTAN CHARTER SCHOOL II
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2013

NOTE 4 - REVENUE CONCENTRATION

The School receives a substantial portion of its support and revenue from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

NOTE 5 - CONTINGENCY

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost 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 6 - FUNCTIONAL ALLOCATION OF EXPENSE

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expense includes those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

NOTE 7 - DUE TO RELATED PARTY

The School is an affiliate of Manhattan Charter School ("MCS"), a New York State, not-for-profit corporation who both share common management and board members. For operational efficiency and purchasing power, the School shares expenses with MCS. Balance due to MCS at June 30, 2015 and 2014 were \$163,514 and \$156,609, respectively. For the years ended June 30, 2015 and 2014, MCS charged the School \$484,743 and \$452,150, respectively, for shared expenses paid on their behalf.

NOTE 8 - RETIREMENT PLAN

The School maintains a retirement plan qualified under the Internal Revenue Code 403(b) for the benefit its eligible employees. Under the plan, the School provided matching contributions of 4% to the plan. The amount charged to operations for fees and matching contributions to the plan was \$43,853 and \$25,465 for the years ended June 30, 2015 and 2014, respectively.

NOTE 9 - SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through September 16, 2015, the date the financial statements were available to be issued.

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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

TO THE BOARD OF TRUSTEES OF
MANHATTAN CHARTER SCHOOL II

We have audited the financial statements of Manhattan Charter School II as of and for the year ended June 30, 2015, and have issued our report thereon dated September 16, 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 schedule of functional expenses is presented for the 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 as a whole.


FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
September 16, 2015

MANHATTAN CHARTER SCHOOL II
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30,

	2015							
	Program Services				Supporting Services			
	Regular Education	Special Education	Extended Day	Total	Management and General	Fundraising	Total	2014
Salaries and wages	\$ 1,373,882	\$ 174,170	\$ 15,533	\$ 1,563,585	\$ 211,282	\$ 17,757	\$ 1,792,624	\$ 1,358,669
Employee benefits and payroll taxes	252,870	32,057	2,859	287,786	38,889	3,268	329,943	209,270
Professional and accounting services	16,337	1,858	-	18,195	55,838	-	74,033	90,926
Professional development	26,387	3,171	148	29,706	11,508	669	41,883	26,944
Consultants	36,077	4,288	13,634	53,999	2,175	183	56,357	35,661
Leased equipment	448	57	5	510	68	6	584	471
Supplies and materials	19,359	2,264	54	21,677	5,146	62	26,885	17,233
Curriculum and classroom	90,315	10,891	-	101,206	-	-	101,206	117,177
Travel and conferences	6,968	794	1	7,763	16	1	7,780	5,101
Insurance	20,006	2,536	226	22,768	3,077	259	26,104	20,622
Postage and printing	1,740	221	20	1,981	268	22	2,271	393
Technology and communications	16,327	2,070	185	18,582	2,510	211	21,303	7,031
Dues and subscriptions	4,062	462	-	4,524	-	-	4,524	3,000
Food service	1,898	215	-	2,113	-	-	2,113	1,684
Student and staff recruiting and retention	17,111	2,030	73	19,214	994	84	20,292	20,865
Depreciation and amortization	46,653	5,914	527	53,094	7,175	603	60,872	51,805
Facility	628	80	7	715	97	8	820	3,993
Miscellaneous	-	-	-	-	31	-	31	-
Total	<u>\$ 1,931,068</u>	<u>\$ 243,078</u>	<u>\$ 33,272</u>	<u>\$ 2,207,418</u>	<u>\$ 339,074</u>	<u>\$ 23,133</u>	<u>\$ 2,569,625</u>	<u>\$ 1,970,845</u>

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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

TO THE BOARD OF TRUSTEES OF
MANHATTAN CHARTER SCHOOL II

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Manhattan Charter School II (the "School"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

TO THE BOARD OF TRUSTEES OF
MANHATTAN CHARTER SCHOOL II

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
September 16, 2015

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September 16, 2015

To the Audit Committee of the Board of Trustees of
Manhattan Charter School II

We have audited the financial statements of Manhattan Charter School II (the “School”) for the year ended June 30, 2015, and have issued our report thereon dated September 16, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated March 16, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we will consider the internal control of Manhattan Charter School II. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Manhattan Charter School II’s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests is not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed our audit according to the plan previously communicated to you prior to commencement of our audit field work.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Manhattan Charter School II are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2015. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are as follows:

- Collectability of grants and contracts receivables
- Useful lives of fixed assets
- Allocation of costs for the schedule of functional expenses

We evaluated the key factors and assumptions used to develop the above estimates in determining that it was reasonable in relation to the financial statement taken as a whole. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. In addition, we are required to communicate with those charged with governance uncorrected misstatements and the effect that they may have on the opinion in the auditors' report, and request their correction. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 16, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Audit Committee, the Board of Trustees and management of Manhattan Charter School II and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,


FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

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September 16, 2015

To the Audit Committee of the Board of Trustees of
Manhattan Charter School II
100 Attorney Street
New York, NY 10002

In planning and performing our audit of the financial statements of Manhattan Charter School II (the "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 School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 School'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, Board of Trustees, federal, state and local awarding agencies, The Charter Schools Institute of the State University of New York, The State Education Department of the State University of New York, and others within the School, and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate your cooperation and the assistance we received during the course of our audit.


FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
September 16, 2015