

**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, 2014

(With Comparative Totals for 2013)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9
 <u>SUPPLEMENTARY INFORMATION</u>	
Independent Auditor's Report on Other Financial Information	16
Schedule of Elementary School and Middle School Activities	17
 <u>REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	
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 <i>Government Auditing Standards</i>	19

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, 2014, 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, 2014, 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, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 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 16, 2014 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 16, 2014

LEADERSHIP PREPARATORY BROWNSVILLE CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

(With Comparative Totals for 2013)

<u>ASSETS</u>	June 30,	
	<u>2014</u>	<u>2013</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 1,375,139	\$ 862,311
Grants and other receivables	119,762	89,701
Prepaid expenses	<u>53,512</u>	<u>48,736</u>
TOTAL CURRENT ASSETS	1,548,413	1,000,748
<u>PROPERTY AND EQUIPMENT, net</u>	<u>797,957</u>	<u>709,584</u>
TOTAL ASSETS	<u>\$ 2,346,370</u>	<u>\$ 1,710,332</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 338,407	\$ 161,627
<u>NET ASSETS</u>		
Unrestricted:		
Undesignated	1,842,963	1,548,705
Designated for stability fund	<u>165,000</u>	<u>-</u>
	<u>2,007,963</u>	<u>1,548,705</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,346,370</u>	<u>\$ 1,710,332</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, 2014
(With Comparative Totals for 2013)

	Year ended June 30,	
	2014	2013
Operating revenue and support:		
State and local per pupil operating revenue	\$ 6,638,507	\$ 4,945,314
Government grants	342,777	338,971
Contributions	-	330
Other income	29,753	22,728
TOTAL OPERATING REVENUE AND SUPPORT	7,011,037	5,307,343
Expenses:		
Program services - education	5,633,741	4,458,225
General and administrative	918,038	507,733
TOTAL EXPENSES	6,551,779	4,965,958
CHANGE IN NET ASSETS	459,258	341,385
Unrestricted net assets at beginning of year	1,548,705	1,207,320
UNRESTRICTED NET ASSETS AT END OF YEAR	\$ 2,007,963	\$ 1,548,705

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

LEADERSHIP PREPARATORY BROWNSVILLE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014
(With Comparative Totals for 2013)

	Program services - education	General and administrative	Total Year ended June 30,	
			2014	2013
Salaries	\$ 3,513,656	\$ 376,646	\$ 3,890,302	\$ 3,003,415
Payroll taxes and employee benefits	548,012	56,047	604,059	477,196
Occupancy	1,650	-	1,650	13,554
Repairs and maintenance	40,160	9,301	49,461	79,541
Textbooks	32,899	-	32,899	58,216
Instructional supplies and assessments	144,133	-	144,133	89,092
Computer and technology support	176,790	-	176,790	95,621
Student enrichment and services	111,974	-	111,974	54,686
Professional development	280,559	-	280,559	151,316
Professional services	-	32,786	32,786	19,110
Telephone	-	105,323	105,323	64,690
Insurance	-	64,693	64,693	40,385
Management fees	527,473	93,084	620,557	495,097
Office expense	31,098	157,537	188,635	91,052
Depreciation and amortization	225,337	3,086	228,423	182,791
Other	-	19,535	19,535	18,575
Bad debt expense	-	-	-	31,621
	<u>\$ 5,633,741</u>	<u>\$ 918,038</u>	<u>\$ 6,551,779</u>	<u>\$ 4,965,958</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, 2014
(With Comparative Totals for 2013)

	June 30,	
	2014	2013
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 459,258	\$ 341,385
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Bad debt expense	-	31,621
Depreciation and amortization	228,423	182,791
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(30,061)	64,259
Prepaid expenses	(4,776)	(9,874)
Accounts payable and accrued expenses	176,780	16,736
NET CASH PROVIDED FROM OPERATING ACTIVITIES	829,624	626,918
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(316,796)	(402,065)
NET CASH USED FOR INVESTING ACTIVITIES	(316,796)	(402,065)
NET INCREASE IN CASH	512,828	224,853
Cash at beginning of year	862,311	637,458
CASH AT END OF YEAR	\$ 1,375,139	\$ 862,311

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

LEADERSHIP PREPARATORY BROWNSVILLE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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 ensures academic success for children in grades K through 8. 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, 2014 or 2013.

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, 2014 or 2013.

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School’s charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

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

LEADERSHIP PREPARATORY BROWNSVILLE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2014 AND 2013

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

Cont'd

Contributions

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

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

Cash

Cash balances are maintained at financial institutions located in New York and are insured by the 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, 2014 or 2013.

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, 2014, the Charter School is no longer subject to U.S. federal income tax examinations by tax authorities for years ended prior to June 30, 2011. The tax returns for the years ended June 30, 2011 through June 30, 2014 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

JUNE 30, 2014 AND 2013

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, 2014 and 2013 totaling \$29,733 and \$22,640, 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, 2014 and 2013.

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, 2013

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, 2013, 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 16, 2014, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure, except as disclosed in the first paragraphs of Notes A and B, were noted.

LEADERSHIP PREPARATORY BROWNSVILLE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2014 AND 2013

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, 2014 and 2013 was approximately \$621,000 and \$495,000, respectively. At June 30, 2014 and 2013, approximately \$216,000 and \$78,000, respectively, are included in accounts payable relating to USI. At June 30, 2014 and 2013, approximately \$5,000 is included in accounts receivable relating to USI.

The Charter School was related to Friends of Leadership Prep, ("FOLP") through common Board representation and management. FOLP was established to generate funding and encourage the development of charter schools. There were no transfers from FOLP during the years ended June 30, 2014 and 2013. The facts exclude FOLP from the provisions GAAP, which would otherwise require consolidation with the Charter School. As of October 4, 2013, FOLP's assets were transferred to USI for the purpose of the Leadership Preparatory Charter Schools and the organization was dissolved.

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.

NOTE C: SCHOOL FACILITY

The Charter School is located in a New York City Department of Education facility. During the years ended June 30, 2014 and 2013, 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 and \$13,600, respectively. At June 30, 2014, the Board of Trustees has designated \$165,000 as a stability fund to meet future needs of the Charter School.

LEADERSHIP PREPARATORY BROWNSVILLE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2014 AND 2013

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Year ended June 30,	
	2014	2013
Furniture and fixtures	\$ 145,884	\$ 117,337
Computers and software	722,834	475,459
Leasehold improvements	694,969	654,095
	1,563,687	1,246,891
Less accumulated depreciation and amortization	765,730	537,307
	<u>\$ 797,957</u>	<u>\$ 709,584</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, 2014 and 2013 approximated \$52,600 and \$39,200, 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, 2014 and 2013, approximately 20% and 24%, respectively, of accounts receivable are due from New York State. At June 30, 2014 and 2013, approximately 76% and 42%, respectively, of accounts receivable are due from a grantor. At June 30, 2013 approximately 24%, of accounts receivable were due from New York City.

During the years ended June 30, 2014 and 2013, 95% and 93%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School is located.

LEADERSHIP PREPARATORY BROWNSVILLE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2014 AND 2013

NOTE H: OPERATING LEASES

The Charter School leases office equipment under non-cancelable lease agreements expiring through June 2016. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2015	18,192
2016	<u>18,192</u>
	<u>\$ 36,384</u>

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, 2014, and we have issued our report thereon dated October 16, 2014, 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 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 year ended June 30, 2014, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 16, 2014

LEADERSHIP PREPARATORY BROWNSVILLE CHARTER SCHOOL

SCHEDULE OF ELEMENTARY SCHOOL AND MIDDLE SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2014

	<u>Elementary School</u>	<u>Middle School</u>	<u>Total</u>
State and local per pupil operating revenue	\$ 5,439,788	\$ 1,198,719	\$ 6,638,507
Government grants	260,300	82,477	342,777
Other income	<u>24,801</u>	<u>4,952</u>	<u>29,753</u>
TOTAL OPERATING REVENUE			
AND SUPPORT	5,724,889	1,286,148	7,011,037
Salaries	3,086,739	803,563	3,890,302
Payroll taxes and employee benefits	498,211	105,848	604,059
Occupancy	-	1,650	1,650
Repairs and maintenance	13,182	36,279	49,461
Textbooks	32,899	-	32,899
Instructional supplies and assessments	114,193	29,940	144,133
Computer and technology support	92,377	84,413	176,790
Student enrichment and services	73,212	38,762	111,974
Professional development	212,556	68,003	280,559
Professional services	31,884	902	32,786
Telephone	54,258	51,065	105,323
Insurance	55,023	9,670	64,693
Management fees	508,885	111,672	620,557
Office expense	126,345	62,290	188,635
Depreciation and amortization	168,259	60,164	228,423
Other	<u>17,733</u>	<u>1,802</u>	<u>19,535</u>
TOTAL EXPENSES	<u>5,085,756</u>	<u>1,466,023</u>	<u>6,551,779</u>
CHANGE IN NET ASSETS	<u>\$ 639,133</u>	<u>\$ (179,875)</u>	<u>\$ 459,258</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, 2014, 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 16, 2014.

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*.

We noted certain matters that we reported to management of Leadership Preparatory Brownsville Charter School in a separate letter dated October 16, 2014.

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.

Restricted Use

This report is intended solely for the information and use of the Board of Trustees, management, federal, state and local awarding agencies, the State University of New York, the New York State Education Department and others within the Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 16, 2014