

**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, 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 (the "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 period from October 28, 2008 (date of inception) to June 30, 2014, 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, 2014, and the changes in its net assets and its cash flows for the period from October 28, 2008 (date of inception) to June 30, 2014 in conformity with accounting principles generally accepted in the United States of America.

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 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 16, 2014

LEADERSHIP PREPARATORY CANARSIE CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

ASSETS

CURRENT ASSETS

Cash	\$ 467,323
Grants and other receivables	341,185
Prepaid expenses	<u>109,882</u>
TOTAL CURRENT ASSETS	918,390

PROPERTY AND EQUIPMENT, net

437,338	
TOTAL ASSETS	<u>\$ 1,355,728</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 555,099
TOTAL CURRENT LIABILITIES	555,099

NET ASSETS, unrestricted

Designated for stability fund	115,000
Undesignated	<u>685,629</u>
TOTAL LIABILITIES AND NET ASSETS	<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

PERIOD FROM OCTOBER 28, 2008 (DATE OF INCEPTION) TO JUNE 30, 2014

Operating revenue and support:	
State and local per pupil operating revenue	\$ 2,039,089
Government grants	591,248
Contributions	1,317,319
Other income	<u>7,755</u>
TOTAL OPERATING REVENUE AND SUPPORT	3,955,411
Expenses:	
Program services - education	2,424,707
General and administrative	<u>730,075</u>
TOTAL EXPENSES	<u>3,154,782</u>
CHANGE IN NET ASSETS	800,629
Unrestricted net assets at beginning of period	<u>-</u>
UNRESTRICTED NET ASSETS AT END OF PERIOD	<u>\$ 800,629</u>

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

LEADERSHIP PREPARATORY CANARSIE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

PERIOD FROM OCTOBER 28, 2008 (DATE OF INCEPTION) TO JUNE 30, 2014

	<u>Program services - education</u>	<u>General and administrative</u>	<u>Total</u>
Salaries	\$ 1,207,467	\$ 402,930	\$ 1,610,397
Payroll taxes and employee benefits	166,359	53,951	220,310
Repairs and maintenance	48,887	31,323	80,210
Textbooks	76,563	-	76,563
Occupancy	10,952	-	10,952
Instructional supplies and assessments	76,391	-	76,391
Computer and technology support	147,942	-	147,942
Student enrichment and services	62,678	-	62,678
Professional development	165,881	-	165,881
Professional services	-	20,900	20,900
Telephone	-	74,034	74,034
Insurance	-	24,428	24,428
Management fees	194,166	34,264	228,430
Office expense	20,807	79,488	100,295
Depreciation and amortization	140,945	286	141,231
Loss on disposal of equipment	105,669	-	105,669
Other	-	8,471	8,471
	<u>\$ 2,424,707</u>	<u>\$ 730,075</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

PERIOD FROM OCTOBER 28, 2008 (DATE OF INCEPTION) TO JUNE 30, 2014

CASH FLOWS - OPERATING ACTIVITIES

Change in net assets	\$ 800,629
Adjustments to reconcile change in net assets to net cash provided from operating activities:	
Depreciation and amortization	141,231
Loss on disposal of equipment	105,669
Changes in certain assets and liabilities affecting operations:	
Grants and other receivables	(341,185)
Prepaid expenses	(109,882)
Accounts payable and accrued expenses	<u>555,099</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	1,151,561

CASH FLOWS - INVESTING ACTIVITIES

Purchases of property and equipment	<u>(684,238)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(684,238)</u>
NET INCREASE IN CASH	467,323
Cash at beginning of period	<u>-</u>
CASH AT END OF PERIOD	<u>\$ 467,323</u>

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

LEADERSHIP PREPARATORY CANARSIE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 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 is currently in the process of formally amending the Charter School’s charter.

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, 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, 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

JUNE 30, 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, 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

JUNE 30, 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, 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, 2014 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 \$7,676 in the period from October 28, 2008 (date of inception) to June 30, 2014, and are included in other income in the accompanying statement of activities and changes in net assets for the period then ended.

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 16, 2014, 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

JUNE 30, 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 period from October 28, 2008 (date of inception) to June 30, 2014 was approximately \$228,000. At June 30, 2014, approximately \$448,000 is included in accounts payable, relating to USI. At June 30, 2014, approximately \$3,000 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 period from October 28, 2008 (date of inception) to June 30, 2014. 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 Schools and the organization was dissolved.

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.

NOTE C: SCHOOL FACILITY

The Charter School is located in a New York City Department of Education facility. During the period from October 28, 2008 (date of inception) to 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, 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

JUNE 30, 2014

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2014:

Furniture and fixtures	\$ 15,452
Computers and software	455,865
Leasehold improvements	<u>107,252</u>
	578,569
Less accumulated depreciation and amortization	<u>141,231</u>
	<u>\$ 437,338</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 period from October 28, 2008 (date of inception) to June 30, 2014 approximated \$19,400.

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, 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 period from October 28, 2008 (date of inception) to 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

JUNE 30, 2014

NOTE H: OPERATING LEASE

The Charter School leases office equipment under certain 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	\$ 22,212
2016	<u>22,212</u>
	<u>\$ 44,424</u>

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 June 30, 2014 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 16, 2014

LEADERSHIP PREPARATORY CANARSIE CHARTER SCHOOL

SCHEDULE OF ACTIVITIES

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

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

LEADERSHIP PREPARATORY CANARSIE CHARTER SCHOOL

SCHEDULE OF ELEMENTARY AND MIDDLE SCHOOL ACTIVITIES

FOR THE PERIOD FROM OCTOBER 28, 2008 (DATE OF INCEPTION) TO JUNE 30, 2014

	<u>Elementary School</u>	<u>Middle School</u>	<u>Total</u>
State and local per pupil operating revenue	\$ 793,458	\$ 1,245,631	\$ 2,039,089
Government grants	390,232	201,016	591,248
Contributions	777,579	539,740	1,317,319
Other income	<u>3,170</u>	<u>4,585</u>	<u>7,755</u>
TOTAL OPERATING REVENUE AND SUPPORT	1,964,439	1,990,972	3,955,411
Salaries	749,364	861,033	1,610,397
Payroll taxes and employee benefits	95,694	124,616	220,310
Repairs and maintenance	39,849	40,361	80,210
Textbooks	70,331	6,232	76,563
Occupancy	7,253	3,699	10,952
Instructional supplies and assessments	54,295	22,096	76,391
Computer and technology supplies	51,373	96,569	147,942
Student enrichment and services	12,515	50,163	62,678
Professional development	95,192	70,689	165,881
Professional services	10,750	10,150	20,900
Telephone	57,520	16,514	74,034
Insurance	14,225	10,203	24,428
Management fees	89,423	139,007	228,430
Office expense	31,436	68,859	100,295
Depreciation and amortization	82,774	58,457	141,231
Loss on disposal of equipment	105,669	-	105,669
Other	<u>4,441</u>	<u>4,030</u>	<u>8,471</u>
TOTAL EXPENSES	<u>1,572,104</u>	<u>1,582,678</u>	<u>3,154,782</u>
CHANGE IN NET ASSETS	<u>\$ 392,335</u>	<u>\$ 408,294</u>	<u>\$ 800,629</u>

LEADERSHIP PREPARATORY CANARSIE CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the period from October 28, 2008 (date of inception) to June 30, 2014, 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 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*.

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