

**COMMUNITY PARTNERSHIP
CHARTER SCHOOL
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013**

**COMMUNITY PARTNERSHIP CHARTER SCHOOL
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Community Partnership Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Community Partnership Charter School (the "School") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 auditors consider 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 the School as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2014, 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.


CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
October 23, 2014

COMMUNITY PARTNERSHIP CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 799,287	\$ 961,315
Grants receivable	177,956	170,625
Accounts and interest receivable	4,966	3,460
Investments	3,352,288	3,341,339
Prepaid expenses	47,190	-
Due from Beginning with Children Foundation	-	53,029
Property and equipment, net of accumulated depreciation of \$393,622 in 2014 and \$337,517 in 2013	<u>96,398</u>	<u>106,274</u>
TOTAL ASSETS	<u>\$ 4,478,085</u>	<u>\$ 4,636,042</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 592,818	\$ 576,665
Due to Beginning with Children Foundation	4,267	-
Due to NYC Department of Education	<u>1,028</u>	<u>1,691</u>
Total liabilities	<u>598,113</u>	<u>578,356</u>
Contingencies (Note 7)		
Net assets:		
Unrestricted net assets:		
Board-designated for facility and personnel costs	1,200,000	1,200,000
Undesignated	<u>2,679,972</u>	<u>2,857,686</u>
Total net assets	<u>3,879,972</u>	<u>4,057,686</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,478,085</u>	<u>\$ 4,636,042</u>

See accompanying notes to financial statements.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Operating revenue:		
State and local per pupil operating revenue	\$ 6,145,207	\$ 6,308,860
Government grants	247,670	227,920
Other revenue	<u>3,558</u>	<u>1,539</u>
Total operating revenue	<u>6,396,435</u>	<u>6,538,319</u>
Operating expenses:		
Program services	6,026,434	5,381,682
Management and general	547,590	453,857
Development	<u>63,348</u>	<u>58,459</u>
Total operating expenses	<u>6,637,372</u>	<u>5,893,998</u>
Surplus (loss) on government-funded school operations	(240,937)	644,321
Contributions	22,810	72,061
Investment earnings	<u>40,413</u>	<u>19,556</u>
Change in net assets	(177,714)	735,938
Net assets:		
Beginning	<u>4,057,686</u>	<u>3,321,748</u>
ENDING	<u>\$ 3,879,972</u>	<u>\$ 4,057,686</u>

See accompanying notes to financial statements.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014			2013				
	Program Services	Management and General	Development	Total	Program Services	Management and General	Development	Total
Personnel services	\$ 3,801,580	\$ 279,641	\$ -	\$ 4,081,221	\$ 3,547,343	\$ 221,052	\$ -	\$ 3,768,395
Employee benefits and payroll taxes	842,169	61,949	-	904,118	753,361	38,263	-	791,624
Occupancy	59,974	8,476	-	68,450	58,296	7,480	-	65,776
Consultants	46,115	-	-	46,115	57,248	-	-	57,248
Classroom instructional supplies	175,161	-	-	175,161	176,177	-	-	176,177
Textbook and library books	20,116	-	-	20,116	6,433	-	-	6,433
Curriculum and staff development	146,167	-	-	146,167	145,026	-	-	145,026
Curriculum materials	126,486	-	-	126,486	6,855	-	-	6,855
Outreach	9,036	-	-	9,036	3,705	-	-	3,705
Trips and admissions	55,460	-	-	55,460	28,134	-	-	28,134
Research and evaluation	24,097	-	-	24,097	30,289	-	-	30,289
After-school and summer school programs	171,680	-	-	171,680	83,027	-	-	83,027
Management fees	443,437	126,697	63,348	633,482	409,217	116,919	58,459	584,595
Accounting and legal fees	-	35,545	-	35,545	-	27,428	-	27,428
Office and technology supplies	-	17,643	-	17,643	-	24,443	-	24,443
Telephone	-	5,848	-	5,848	-	5,739	-	5,739
Postage and shipping	-	2,911	-	2,911	-	4,487	-	4,487
Miscellaneous expenses	52,690	5,041	-	57,731	27,094	4,213	-	31,307
Depreciation	52,266	3,839	-	56,105	49,477	3,833	-	53,310
TOTAL	\$ 6,026,434	\$ 547,590	\$ 63,348	\$ 6,637,372	\$ 5,381,682	\$ 453,857	\$ 58,459	\$ 5,893,998

See accompanying notes to financial statements.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ (177,714)	\$ 735,938
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities::		
Unrealized loss (gain) on investments	(10,949)	8,090
Depreciation	56,105	53,310
Changes in assets and liabilities:		
Grants receivable	(7,331)	(47,662)
Accounts and interest receivable	(1,506)	3,561
Prepaid expenses	(47,190)	-
Due from NYC Department of Education	-	6,425
Due to/from Beginning with Children Foundation	57,296	(45,523)
Accounts payable and accrued expenses	7,228	19,584
Refundable advances	<u>(663)</u>	<u>1,691</u>
Net cash provided by (used in) operating activities	<u>(124,724)</u>	<u>735,414</u>
Investing activities:		
Purchase of property and equipment	(37,304)	(18,596)
Purchase of investments	(1,125,000)	(2,000,000)
Proceeds from sale of investments	<u>1,125,000</u>	<u>1,350,000</u>
Net cash used in investing activities	<u>(37,304)</u>	<u>(668,596)</u>
Net increase (decrease) in cash and cash equivalents	(162,028)	66,818
Cash and cash equivalents - beginning	<u>961,315</u>	<u>894,497</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 799,287</u>	<u>\$ 961,315</u>
Supplemental disclosure of non-cash investing activity:		
Computer equipment purchase included in accounts payable and accrued expenses	<u>\$ 8,925</u>	<u>\$ -</u>

See accompanying notes to financial statements.

COMMUNITY PARTNERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Principal Business Activity

Community Partnership Charter School (the "School") is an education corporation that operates as a charter school in the borough of Brooklyn, New York. On April 4, 2000, the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration. In January 2012, the School was approved for a third five-year renewal of its charter from the Board of Regents of the University of the State of New York, and on July 18, 2012, the School entered into a new charter agreement.

The School's mission is as follows: At the Community Partnership Charter School, families, educators and community members join to create a learning environment that fosters high academic achievement that exceeds the New York State Learning Standards. An enriched curriculum and dynamic partnerships between the School, families and community enable all students to become life-long learners and active citizens who value kindness and respect.

The New York City Department of Education (the "NYCDOE") provides free and reduced-price lunches and transportation directly to a majority of the School's students.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements

The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP") and are presented in accordance with accounting requirements for not-for-profit organizations. These requirements provide that all not-for-profit organizations provide a statement of financial position, a statement of activities and changes in net assets, and a statement of cash flows, and that net assets be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor stipulations regarding their use.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

Cash and Cash Equivalents

The School maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in these accounts. The School considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

COMMUNITY PARTNERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

The financial statements of the School reflect contributions received from the public and other organizations. Contributions are recognized in the statements of activities and changes in net assets as revenue in the period in which they are received or unconditionally promised.

The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as "Net assets released from restriction." Amounts received with donor stipulations that limit their use to certain purposes are reported as unrestricted support if the stipulated purpose restriction is accomplished in the same year.

Grants and Refundable Advances

Revenue from the state and local governments resulting from the School's charter status, which is 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 cost reimbursement grants and contracts is recognized when qualifying expenditures are incurred. Amounts received in excess of expenditures incurred are recognized as refundable advances.

Contributed Services

Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets, would have been purchased if not provided by donation, require special skills, and are provided by individuals possessing such skills.

A number of volunteers have made a contribution of their time to the School to develop academic and other programs and to serve on the board of trustees. The value of this contributed time is not reflected in the financial statements inasmuch as those services would not typically be purchased had they not been provided by donation.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 8 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Net appreciation (depreciation) includes the School's gains and losses on investments bought and sold as well as held during the year.

One financial institution held 100% of the School's investments at June 30, 2014 and 2013. These investments are primarily comprised of certificates of deposit and are FDIC insured.

COMMUNITY PARTNERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The School capitalizes all purchases of property and equipment in excess of \$1,000 with a useful life of greater than one year. Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Net Assets

Unrestricted net assets are not restricted by donors or donor-imposed restrictions have expired. Board-designated net assets were established by the board of trustees to provide a fiscally prudent reserve for unforeseen facility, personnel and other issues. Temporarily restricted net assets are restricted by donors for a specific purpose or for a specified time period beyond the current fiscal year. For the years ended June 30, 2014 and 2013, all net assets are classified as unrestricted.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Certain costs have been allocated among program and supporting services.

Income Taxes

The School is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and from state income taxes. As a not-for-profit entity, the School is subject to unrelated business income tax ("UBIT"), if applicable.

The School recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*. Under that guidance, the School assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances, and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change.

Management has evaluated the School's tax positions and has concluded that the School has taken no uncertain tax positions that require adjustment to the financial statements. Generally, the School is no longer subject to income tax examinations by U.S. federal, state or local taxing authorities for years before 2010.

COMMUNITY PARTNERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The School assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in the circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no transfers among Levels 1, 2 and 3 during fiscal years 2014 and 2013.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the School has evaluated subsequent events through October 23, 2014, the date on which these financial statements were available to be issued. Except for the matter discussed in Note 9, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 3. RELATED-PARTY TRANSACTIONS

Beginning with Children Foundation (the "Foundation") is a not-for-profit organization dedicated to improving the educational opportunities of urban children through the creation of autonomous, high-performing public schools. The Foundation is a cofounder of the School.

**COMMUNITY PARTNERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 3. RELATED-PARTY TRANSACTIONS (CONTINUED)

As an educational manager to charter schools during the fiscal years ended June 30, 2014 and 2013, the Foundation entered into a Memorandum of Understanding ("MOU") agreement with the School. Pursuant to the terms of the MOU agreement, the School agreed to pay service fees to the Foundation in the amounts of \$633,482 and \$584,595 for the fiscal years ended June 30, 2014 and 2013, respectively. The Foundation supported the School in the areas of leadership and strategy, curriculum and assessment, research and evaluation, business services, compliance, development, technology, communications, outreach, and alumni program management. At June 30, 2014 and 2013, \$4,267 and \$53,029 (inclusive of contributions received on behalf of the School in 2013) were due to and due from the Foundation, respectively.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>	<u>Estimated Useful Life</u>
Furniture and fixtures	\$ 147,224	\$ 147,224	5 - 7 years
Computer equipment	323,603	277,374	3 years
Leasehold improvements	<u>19,193</u>	<u>19,193</u>	5 years
	490,020	443,791	
Less: accumulated depreciation	<u>(393,622)</u>	<u>(337,517)</u>	
Property and equipment, net	<u>\$ 96,398</u>	<u>\$ 106,274</u>	

Depreciation expense was \$56,105 and \$53,310 for the years ended June 30, 2014 and 2013, respectively.

NOTE 5. SCHOOL FACILITIES

The School occupies space in public school buildings owned by the NYCDOE located at 241 Emerson Place in Clinton Hill, Brooklyn, and 114 Kosciuszko Street, Brooklyn, which have been made available to the School at no charge.

NOTE 6. EMPLOYEE BENEFIT PLAN

The School maintains a defined contribution plan under Section 401(k) of the Code covering all eligible employees. Under the plan, the School provides matching contributions. In addition, the School may elect, on a discretionary basis, to contribute a percentage of all qualified employees' compensation to the profit-sharing component of the plan. The amount charged to operations for contributions to this plan was approximately \$73,000 and \$72,000 for the years ended June 30, 2014 and 2013, respectively.

NOTE 7. CONTINGENCIES

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.

COMMUNITY PARTNERSHIP CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 8. FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the tables below. The valuation techniques are as follows:

- (a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The following tables summarize the School's assets measured at fair value on a recurring basis, categorized by GAAP's valuation hierarchy as of June 30, 2014 and 2013:

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total	Valuation Technique
June 30, 2014:					
Money market fund (included in cash and cash equivalents)	\$ 52,220	\$ -	\$ -	\$ 52,220	(a)
Certificates of deposit (included in investments)	-	3,352,288	-	3,352,288	(b)
Total	<u>\$ 52,220</u>	<u>\$ 3,352,288</u>	<u>\$ -</u>	<u>\$ 3,404,508</u>	
June 30, 2013:					
Money market fund (included in cash and cash equivalents)	\$ 26,891	\$ -	\$ -	\$ 26,891	(a)
Certificates of deposit (included in investments)	-	3,341,339	-	3,341,339	(b)
Total	<u>\$ 26,891</u>	<u>\$ 3,341,339</u>	<u>\$ -</u>	<u>\$ 3,368,230</u>	

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2014 and 2013:

The money market fund is valued at cost plus accrued interest, which approximates fair value.

The certificates of deposits are valued at cost plus accrued interest and unrealized gains (losses), which approximates fair value.

NOTE 9. EDUCATIONAL CORPORATION MERGER

On March 12, 2014, the School entered into a Plan of Merger with another not-for-profit education corporation, Beginning with Children Charter School 2 ("BwCCS2"). The merger became effective on September 30, 2014, when final approval was obtained by operation of law in the State of New York. The surviving education corporation has been renamed Community Partnership Charter School Education Corporation and the provisional charter granted to the School in October 2012 is still valid, as it gives the surviving education corporation authority to operate until July 2017.



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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
Community Partnership Charter School

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 Community Partnership Charter School (the "School") (a nonprofit organization), 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 23, 2014.

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.

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.


CITRIN COOPERMAN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
October 23, 2014