

**EXCELLENCE BOYS CHARTER SCHOOL OF
BEDFORD STUYVESANT**

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

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Excellence Boys Charter School of Bedford Stuyvesant

Report on the Financial Statements

We have audited the accompanying financial statements of Excellence Boys Charter School of Bedford Stuyvesant, 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 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 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 Excellence Boys Charter School of Bedford Stuyvesant as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Excellence Boys Charter School of Bedford Stuyvesant's June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 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 Excellence Boys Charter School of Bedford Stuyvesant'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 Excellence Boys Charter School of Bedford Stuyvesant's internal control over other financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 16, 2014

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

(With Comparative Totals for 2013)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 1,791,229	\$ 1,402,517
Grants and other receivables	106,200	90,235
Prepaid expenses and other current assets	<u>16,949</u>	<u>6,058</u>
TOTAL CURRENT ASSETS	1,914,378	1,498,810
<u>PROPERTY AND EQUIPMENT, net</u>	<u>285,736</u>	<u>244,294</u>
TOTAL ASSETS	<u>\$ 2,200,114</u>	<u>\$ 1,743,104</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 528,207	\$ 285,758
Due to related party	<u>-</u>	<u>24,084</u>
TOTAL CURRENT LIABILITIES	528,207	309,842
<u>NET ASSETS, unrestricted</u>	<u>1,671,907</u>	<u>1,433,262</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,200,114</u>	<u>\$ 1,743,104</u>

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

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

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	\$ 9,096,067	\$ 7,707,151
Federal grants	377,147	418,010
Contributions	71,369	334,863
Other income	38,286	34,134
TOTAL OPERATING REVENUE AND SUPPORT	9,582,869	8,494,158
Expenses:		
Program services - education	8,169,376	7,514,572
General and administrative	1,174,848	1,111,202
TOTAL EXPENSES	9,344,224	8,625,774
CHANGE IN NET ASSETS	238,645	(131,616)
Unrestricted net assets at beginning of year	1,433,262	1,564,878
UNRESTRICTED NET ASSETS AT END OF YEAR	\$ 1,671,907	\$ 1,433,262

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

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

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	\$ 5,036,896	\$ 519,132	\$ 5,556,028	\$ 5,276,928
Payroll taxes and employee benefits	815,296	83,050	898,346	873,982
Repairs and maintenance	115,750	-	115,750	54,393
Textbooks	34,651	-	34,651	137,284
Instructional supplies and assessments	216,364	-	216,364	186,513
Computer and technology supplies	251,010	-	251,010	150,794
Student enrichment and services	267,985	-	267,985	255,565
Professional development	415,345	-	415,345	268,031
Professional services	-	27,516	27,516	28,930
Telephone	-	61,986	61,986	85,291
Occupancy	23,205	-	23,205	18,181
Insurance	-	89,166	89,166	75,561
Management fees	801,437	141,430	942,867	808,527
Office expense	67,077	211,428	278,505	183,613
Depreciation and amortization	111,841	19,736	131,577	117,282
Bad debt expense	12,519	-	12,519	74,993
Other	-	21,404	21,404	29,906
	<u>\$ 8,169,376</u>	<u>\$ 1,174,848</u>	<u>\$ 9,344,224</u>	<u>\$ 8,625,774</u>

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

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

STATEMENT OF CASH FLOWS

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

	Year ended June 30,	
	2014	2013
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 238,645	\$ (131,616)
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	131,577	117,282
Bad debt expense	12,519	74,993
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(28,484)	25,208
Prepaid expenses and other current assets	(10,891)	(1,011)
Accounts payable and accrued expenses	242,449	(44,875)
Due to related party	(24,084)	24,084
NET CASH PROVIDED FROM OPERATING ACTIVITIES	561,731	64,065
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(173,019)	(66,536)
NET CASH USED FOR INVESTING ACTIVITIES	(173,019)	(66,536)
NET INCREASE (DECREASE) IN CASH	388,712	(2,471)
Cash at beginning of year	1,402,517	1,404,988
CASH AT END OF YEAR	<u>\$ 1,791,229</u>	<u>\$ 1,402,517</u>

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

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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

The Charter School

Excellence Boys Charter School of Bedford Stuyvesant (the “Charter School”), is an educational corporation that commenced operating as a charter school in the borough of Brooklyn, New York City in July 2004. On February 19, 2010, the Charter School amended the provisional charter granted by the Board of Regents of the University of the State of New York which is valid for a term of five years and renewable upon expiration.

The Charter School’s mission is to prepare students to enter, succeed in and graduate from outstanding college preparatory high schools and colleges.

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.

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

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 a financial institution located in New York and are insured by the FDIC up to \$250,000 at the 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 any 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 the 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.

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

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 totaling \$34,572 and \$35,732 in the years ended June 30, 2014 and 2013, respectively and are included in other income in 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 were noted, except as disclosed in Note I.

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2014 AND 2013

NOTE B: RELATED PARTY TRANSACTIONS

From inception, the Charter School has been assisted in the pursuit of its educational goals by Uncommon Schools, Inc. ("USI") and its affiliate, Excellence Academies Foundation, Inc. ("EAF"). 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.

USI and EAF raised the initial funding to plan the Charter School and to ensure and finance both the temporary and permanent facilities.

The Charter School entered into a five year agreement with USI, dated July 1, 2005, revised with a five year agreement dated September 26, 2006 and subsequently renewed for an additional five years beginning July 1, 2012, 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 expense for the school year, and a percentage of all other public entitlement funding receivable during the school year, excluding in-kind contributions and funds from competitive public grants. This percentage is fixed at 10% for the 2010 through 2014 fiscal years and then decreases to 9.5% and 9.0% for the 2015 and 2016 fiscal years, respectively. The fee incurred for the years ended June 30, 2014 and 2013 was approximately \$943,000 and \$809,000, respectively. At June 30, 2014 and 2013, approximately \$232,000 and \$127,000, respectively, are included in accounts payable relating to USI and approximately \$9,000 and \$5,000 is included in accounts receivable relating to USI at June 30, 2014 and 2013, respectively.

The Charter School is related to Excellence Girls Charter School through common Board representation. As neither of the schools have an economic interest in the net assets of the other, the facts do not require consolidation of this school with the Charter School in accordance with GAAP.

The Charter School entered into an operating lease for office and instructional space with EAF on May 15, 2006. The agreement requires the Charter School to make an annual rental payment of \$1 per year beginning July 1, 2006. EAF has entered into a sales transaction with the Board of Education to purchase the building, at which time the Board of Education would enter into a lease agreement with the Charter School to lease the facility for \$1 annually for up to 99 years. As of the date of the financial statements, this transaction has not been completed and, therefore, EAF continues to own the building and is continuing to lease the space to the Charter School for \$1 annually based on a verbal agreement.

In December 2011, the Charter School entered into a memorandum of understanding with Williamsburg Collegiate Charter School and Kings Collegiate Charter School ("Kings") to co-locate in a shared high school. Kings is the funding agent for the shared high school and expenses are allocated among applicable schools based on full time equivalent numbers. At June 30, 2013 there were certain related party payables valued at approximately \$24,000 due to Kings as a result of shared facilities.

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2014 AND 2013

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

In November 2013, a wholly-owned subsidiary of USI was created, Uncommon Crown Heights, LLC ("Crown Heights"), to manage the high school facility shared between an unrelated charter school and Williamsburg Collegiate Charter School, Kings Collegiate Charter School, and the Charter School. All schools located in the shared high school entered into an administrative costs management agreement and advanced Crown Heights funds to operate the location. The Schools will be charged an annual service fee of 0.5% of the combined facility budget by Crown Heights. There was no fee charged for the year ended June 30, 2014. Actual expenses are tracked and allocated to each party based on metrics developed by management. Depending on the actual expenses incurred, a prepaid balance or payable could exist at any given time. At June 30, 2014 approximately \$23,000 is included in accounts payable due to Crown Heights.

NOTE C: SCHOOL FACILITY

The Charter School's high school occupies space with a related charter school per a verbal agreement with a third party at no charge. At June 30, 2014 and 2013, the Charter School paid certain utility and maintenance services on a square footage basis amounting to approximately \$23,200 and \$18,200, respectively.

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Furniture and fixtures	\$ 100,984	\$ 82,171
Computers and software	609,219	499,521
Leasehold improvements	<u>497,712</u>	<u>453,203</u>
	1,207,915	1,034,895
Less accumulated depreciation and amortization	<u>922,179</u>	<u>790,601</u>
	<u>\$ 285,736</u>	<u>\$ 244,294</u>

NOTE E: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. The Charter School matches employee's contributions up to the lesser of 3% of gross pay or \$3,500. The Charter School's total contribution to the Plan for the years ended June 30, 2014 and 2013 approximated \$72,900 and \$70,600, respectively.

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2014 AND 2013

NOTE F: OPERATING LEASES

The Charter School leases office equipment under non-cancelable lease agreements expiring through April 2018. Lease expense was \$78,914 and \$71,220 for the years ended June 30, 2014 and 2013, respectively. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2015	\$ 59,262
2016	58,576
2017	58,290
2018	42,698
	<u>\$ 218,826</u>

NOTE G: 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 H: CONCENTRATIONS

At June 30, 2014 and 2013, approximately 25% and 35%, respectively, of accounts receivable are due from New York State. At June 30, 2014 and 2013, approximately 43% and 37%, respectively, of receivables are due from a grantor. At June 30, 2013, approximately 14%, of receivables are due from New York City.

During the years ended June 30, 2014 and 2013, 95% and 91%, 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.

NOTE I: SUBSEQUENT EVENT

Effective July 1, 2014 the Charter School and Excellence Girls Charter School merged in accordance with the approval of the Charter School's Board of Trustees and the New York State Board of Regents, and has been renamed Excellence Charter Schools. In conjunction with this merger, the Charter of Excellence Girls Charter School expired July 31, 2014.

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Excellence Boys Charter School of Bedford Stuyvesant

We have audited the financial statements of Excellence Boys Charter School of Bedford Stuyvesant 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

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

SCHEDULE OF ELEMENTARY SCHOOL, MIDDLE SCHOOL AND HIGH SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2014

	Elementary School	Middle School	High School	Total
State and local per pupil operating revenue	\$ 5,885,073	\$ 2,924,898	\$ 286,096	\$ 9,096,067
Federal grants	244,654	116,323	16,170	377,147
Contributions	4,077	1,910	65,382	71,369
Other income	<u>24,078</u>	<u>11,980</u>	<u>2,228</u>	<u>38,286</u>
TOTAL OPERATING REVENUE				
AND SUPPORT	6,157,882	3,055,111	369,876	9,582,869
Salaries	3,329,436	2,039,953	186,639	5,556,028
Payroll taxes and employee benefits	524,869	338,634	34,843	898,346
Repairs and maintenance	68,885	17,874	28,991	115,750
Textbooks	20,552	9,640	4,459	34,651
Instructional supplies and assessments	157,297	56,151	2,916	216,364
Computer and technology supplies	159,687	78,755	12,568	251,010
Student enrichment and services	161,643	98,894	7,448	267,985
Professional development	298,824	107,787	8,734	415,345
Professional services	18,034	8,513	969	27,516
Telephone	44,756	13,892	3,338	61,986
Occupancy	-	-	23,205	23,205
Insurance	57,336	25,042	6,788	89,166
Management fees	610,326	302,601	29,940	942,867
Office expense	197,494	67,503	13,508	278,505
Depreciation and amortization	102,596	25,483	3,498	131,577
Bad debt expense	12,519	-	-	12,519
Other	<u>16,558</u>	<u>4,429</u>	<u>417</u>	<u>21,404</u>
TOTAL EXPENSES	<u>5,780,812</u>	<u>3,195,151</u>	<u>368,261</u>	<u>9,344,224</u>
CHANGE IN NET ASSETS	<u>\$ 377,070</u>	<u>\$ (140,040)</u>	<u>\$ 1,615</u>	<u>\$ 238,645</u>

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

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
Excellence Boys Charter School of Bedford Stuyvesant

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 Excellence Boys Charter School of Bedford Stuyvesant, 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 Excellence Boys Charter School of Bedford Stuyvesant'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 Excellence Boys Charter School of Bedford Stuyvesant's internal control. Accordingly, we do not express an opinion on the effectiveness of Excellence Boys Charter School of Bedford Stuyvesant'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 Excellence Boys Charter School of Bedford Stuyvesant'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*.

We noted certain matters that we reported to management of Excellence Boys Charter School of Bedford Stuyvesant 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