

CANARSIE ASCEND CHARTER SCHOOL
(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2014

CANARSIE ASCEND CHARTER SCHOOL
(A Not-For-Profit Corporation)
FINANCIAL STATEMENTS
JUNE 30, 2014

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION:	
Statement of financial position	3
Statement of activities	4
Statement of cash flows	5
Notes to financial statements	6 – 11
Independent auditors' report on supplementary information	12
Schedule of functional expenses	13
INDEPENDENT AUDITORS' 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	14 – 15

FRUCHTER ROSEN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

156 WEST 56TH STREET

NEW YORK, NEW YORK 10019

TEL: (212) 957-3600

FAX: (212) 957-3696

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES OF
CANARSIE ASCEND CHARTER SCHOOL

Report on the Financial Statements

We have audited the accompanying financial statements of Canarsie Ascend Charter School (the "School") (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the period from September 13, 2011 (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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2014, and the changes in its net assets and its cash flows for the period from September 13, 2011 (inception) to June 30, 2014 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 22, 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.


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

New York, New York
October 22, 2014

CANARSIE ASCEND CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

Current assets:

Cash and cash equivalents	\$	31,848
Grants and contracts receivable		68,521
Prepaid expenses and other current assets		4,853
Total current assets		105,222

Other assets

Property and equipment, net of accumulated depreciation and amortization of \$74,304		492,380
Security deposit		550
Restricted cash		25,001
Total other assets		517,931

TOTAL ASSETS	\$	623,153
--------------	----	---------

LIABILITIES AND UNRESTRICTED NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$	141,001
Accrued payroll and payroll taxes		93,880
Due to related parties		80,004
Total current liabilities		314,885

Other liabilities:

Deferred rent		676,750
Loan payable - related party		200,000
Total other liabilities		876,750

Total liabilities		1,191,635
-------------------	--	-----------

Unrestricted net assets		(568,482)
-------------------------	--	-----------

TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$	623,153
---	----	---------

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

CANARSIE ASCEND CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE PERIOD FROM SEPTEMBER 13, 2011 (INCEPTION) TO JUNE 30, 2014

Operating revenue:	
State and local per pupil operating revenue	\$ 3,071,402
Federal grants	466,663
State and city grants	<u>86,610</u>
Total operating revenue	<u>3,624,675</u>
Operating expenses:	
Program services:	
Regular education	3,277,659
Special education	<u>392,485</u>
Total program services	3,670,144
Supporting services:	
Management and general	<u>573,961</u>
Total operating expenses	<u>4,244,105</u>
(Deficit) from operations	(619,430)
Support and other revenue:	
Foundation contribution	50,000
Interest and other income	<u>948</u>
Total support and other revenue	<u>50,948</u>
Change in unrestricted net assets	(568,482)
Unrestricted net assets - beginning of period	<u>-</u>
Unrestricted net assets - end of period	<u><u>\$ (568,482)</u></u>

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

CANARSIE ASCEND CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM SEPTEMBER 13, 2011 (INCEPTION) TO JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in unrestricted net assets	\$ (568,482)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:	
Depreciation and amortization	74,304
(Increase) in certain assets:	
Grants and contracts receivable	(68,521)
Prepaid expenses and other current assets	(4,853)
Security deposit	(550)
Increase in certain liabilities:	
Accounts payable and accrued expenses	141,001
Accrued payroll and payroll taxes	93,880
Due to related parties	80,004
Deferred rent	676,750
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>423,533</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(566,684)
(Increase) in restricted cash	(25,001)
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(591,685)</u>
CASH FLOWS FROM FINANCING ACTIVITY	
Proceed from loan payable - related party	<u>200,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	31,848
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 31,848</u>

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

CANARSIE ASCEND CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Nature of Organization

Canarsie Ascend Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on September 13, 2011 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was also granted a provisional charter on September 13, 2011 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The School will prepare kindergarten to twelfth grade students to thrive in competitive four year colleges. Classes commenced in August 2013 and the School provided education to approximately 213 students in the kindergarten and first grades during the 2013-2014 academic year.

Food and Transportation Services

The New York City Department of Education provides free lunches directly to some of the School's students. Such costs are not included in these financial statements. The School covers the cost of lunches for families who experience hardship and who do not qualify for free lunches. The Office of Pupil Transportation provides free transportation to some of the students.

Tax Status

The School is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii). The School is subject to income taxes only on net unrelated business income. The School did not have any unrelated business income for the period from September 13, 2011 (inception) to June 30, 2014.

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

CANARSIE ASCEND CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (“FASB”) in its Accounting Standards Codification (“ASC”) 958-205. Under ASC 958-205, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The net assets classifications are described as follows:

Unrestricted

Unrestricted net assets of the School are assets whose use has not been restricted by an outside donor or by law. The unrestricted net assets represent the portion of expendable funds that are available for the support of the operations of the School.

Temporarily Restricted

Temporarily restricted net assets are used to differentiate resources, the use of which is restricted by donors or grantors to a specific time or period or for a specific purpose. Temporarily restricted gifts are recorded as additions to temporarily restricted net assets in the period received. When restricted net assets are expended for their stipulated purpose, temporarily restricted net assets become unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

Permanently Restricted

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

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

Revenue and Support

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

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

CANARSIE ASCEND CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Cash and Cash Equivalents

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

Concentration of Credit Risk

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

Restricted Cash

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

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment acquired with certain government funding are recorded as expenses pursuant to the terms of the contract, in which ownership of such property and equipment is retained by the funding source. Maintenance and repairs are expensed as incurred. No depreciation is recorded on construction-in-progress until property and equipment is placed into service.

Depreciation and amortization is provided on the straight line method over the estimated useful lives as follows:

Leasehold improvements	Useful life of the lease
Computers and equipment	3 and 5 years
Furniture and fixtures	5 years

Refundable Advances

The School records certain government grants and contracts as refundable advances until the related services are performed, at which time it is recognized as revenue.

Deferred Rent

The School records its rent in accordance with ASC 840-20 whereby all rental payments, including fixed rent increases, are recognized on a straight-line basis as an offset to rent expense. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentives, is reflected in deferred rent in the accompanying statement of financial position.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of federal, state and city entitlements and grants. The School expects to collect these receivables within one year.

CANARSIE ASCEND CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 - PROPERTY AND EQUIPMENT

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

Leasehold improvements	\$ 242,417
Computers and equipment	122,723
Furniture and fixtures	192,044
Construction in progress	<u>9,500</u>
	566,684
Less: accumulated depreciation and amortization	<u>(74,304)</u>
Total	<u>\$ 492,380</u>

Construction in progress consists of soft costs in connection with renovations of the School’s permanent facilities.

Depreciation and amortization expense was \$74,304 for the period from September 13, 2011 (inception) to June 30, 2014.

NOTE 4 - RELATED PARTY TRANSACTIONS

The School is an affiliate of Ascend Learning, Inc. (“Ascend”), a New York State not-for-profit corporation. The School entered into an agreement with Ascend on February 24, 2012 to provide the School with its educational management services and designs. As per the management agreement, Ascend is to select and implement the School’s educational program, the professional development activities for all the School personnel, and manage the School’s business administration. The School pays to Ascend an annual fee of 9% of the School’s per pupil operating revenues. The management fee for the period from September 13, 2011 (inception) to June 30, 2014 was \$277,274. In addition, Ascend shares operating expenses with the School and for the period from September 13, 2011 (inception) to June 30, 2014, net shared expenses amounted to \$234,880.

On September 30, 2013, the School received an interest-free loan of \$200,000 from Ascend. The proceeds were used to finance the School’s operations. The outstanding principal balance of the loan at June 30, 2014 was \$200,000. The loan matures on June 30, 2019, at which time the outstanding balance will be due in full.

The School is related to Brooklyn Ascend Charter School (“Brooklyn Ascend”), a charter school related by common management. Brooklyn Ascend shares and pays for salaries, and other expenses on behalf of the School in the amount of \$17,848 for the period from September 13, 2011 (inception) to June 30, 2014.

The School is related to Brownsville Ascend Charter School (“Brownsville Ascend”), a charter school related by common management. Brownsville Ascend shares and pays for salaries and other expenses on behalf of the School in the net amount of \$11,629 for the period from September 13, 2011 (inception) to June 30, 2014.

CANARSIE ASCEND CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - RELATED PARTY TRANSACTIONS (Continued)

The School is related to Bushwick Ascend Charter School (“Bushwick Ascend”), a charter school related by common management. Bushwick Ascend shares and pays for salaries and other expenses on behalf of the School in the net amount of \$4,696 for the period from September 13, 2011 (inception) to June 30, 2014.

The net balances due to related parties consist of the following at June 30, 2014:

Ascend		\$ 45,831
Brooklyn Ascend		17,848
Brownsville Ascend		11,629
Bushwick Ascend		<u>4,696</u>
Net amounts due to related parties		<u>\$ 80,004</u>

As of the issuance of this report, the net balances due to the related parties at June 30, 2014 remain outstanding.

NOTE 5 - COMMITMENTS

Facility Lease

On April 1, 2013, the School entered into an agreement to lease property at 9719 Flatlands Avenue, Brooklyn, NY. As per the terms of the agreement, the lease is for 20 years, renewable for up to 10 additional years. The facility is currently tax exempt, but the School will be responsible for any real estate taxes arising out of the School’s occupancy.

Year ending June 30,		
	2015	\$ 420,000
	2016	720,000
	2017	890,000
	2018	890,000
	2019	975,000
	Thereafter	<u>16,100,000</u>
		<u>\$ 19,995,000</u>

Rent expense is recognized on the straight-line basis. The differences between cash payments under the lease agreement and the straight-line rent have been recognized as deferred rent in the accompanying statements of financial position from inception of the lease. The differences between rent cash payments and straight-line rent charged in the statement of financial position amounted to \$676,750 for the period from September 13, 2011 (inception) to June 30, 2014.

Rent expense for the period from September 13, 2011 (inception) to June 30, 2014 amounted to \$1,016,750.

Furniture and Equipment Lease

On July 1, 2013, the School co-signed a furniture and equipment lease agreement with co-lessees Ascend, Brooklyn Ascend, Brownsville Ascend and Bushwick Ascend. The lease is for three years expiring December 2016.

CANARSIE ASCEND CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 - COMMITMENTS (Continued)

Furniture and Equipment Lease (Continued)

The minimum future rental payments under the non-cancelable operating leases are as follows:

Year ending June 30,	2015		\$ 246,547
	2016		246,547
	2017		<u>123,273</u>
			<u>\$ 616,367</u>

Lease expense under the operating lease for the period from September 13, 2011 (inception) to June 30, 2014 amounted to \$221,348.

NOTE 6 - REVENUE CONCENTRATION

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

NOTE 7 - CONTINGENCY

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE 8 - FUNCTIONAL ALLOCATION OF EXPENSE

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

NOTE 9 - RETIREMENT PLAN

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School will match employee contributions ranging from 2% to 4% of annual compensation. There was no employer match for the period from September 13, 2011 (inception) to June 30, 2014.

NOTE 10 - SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through October 22, 2014, the date the financial statements were available to be issued.

FRUCHTER ROSEN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

156 WEST 56TH STREET

NEW YORK, NEW YORK 10019

TEL: (212) 957-3600

FAX: (212) 957-3696

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

TO THE BOARD OF TRUSTEES OF
CANARSIE ASCEND CHARTER SCHOOL

We have audited the financial statements of Canarsie Ascend Charter School as of June 30, 2014 and for the period from September 13, 2011 (inception) to June 30, 2014, and have issued our report thereon dated October 22, 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 schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


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

New York, New York
October 22, 2014

CANARSIE ASCEND CHARTER SCHOOL
(A Not-For-Profit Corporation)
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE PERIOD FROM SEPTEMBER 13, 2011 (INCEPTION) TO JUNE 30, 2014

	Regular Education	Special Education	Total Program Services	Management and General	Total
Salaries and wages	\$ 1,147,289	\$ 140,477	\$ 1,287,766	\$ 132,111	\$ 1,419,877
Employee benefits and payroll taxes	232,293	28,442	260,735	26,749	287,484
Professional fees	261,958	23,065	285,023	60,693	345,716
Management fees	103,627	7,283	110,910	166,364	277,274
Consultants - education	5,947	15,556	21,503	-	21,503
Legal fees	-	-	-	14,506	14,506
Curriculum and classroom supplies	139,905	9,832	149,737	-	149,737
Office supplies	-	-	-	17,724	17,724
Non-capitalized furniture and equipment	7,992	979	8,971	919	9,890
Leased equipment, furniture and fixtures	189,772	23,236	213,008	21,853	234,861
Communications	43,723	5,353	49,076	5,035	54,111
Occupancy	873,741	106,983	980,724	100,611	1,081,335
Insurance	23,814	2,892	26,706	2,688	29,394
Repairs and maintenance	26,325	3,223	29,548	3,032	32,580
Security	25,938	3,176	29,114	2,986	32,100
Marketing and recruiting	93,865	10,164	104,029	7,876	111,905
Staff development	28,926	2,942	31,868	2,006	33,874
Travel and meals	8,229	1,008	9,237	946	10,183
Postage, printing and copying	885	108	993	102	1,095
Dues and subscriptions	3,391	415	3,806	391	4,197
Depreciation and amortization	60,039	7,351	67,390	6,914	74,304
Miscellaneous	-	-	-	455	455
Total	<u>\$ 3,277,659</u>	<u>\$ 392,485</u>	<u>\$ 3,670,144</u>	<u>\$ 573,961</u>	<u>\$ 4,244,105</u>

FRUCHTER ROSEN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

156 WEST 56TH STREET

NEW YORK, NEW YORK 10019

TEL: (212) 957-3600

FAX: (212) 957-3696

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

TO THE BOARD OF TRUSTEES OF
CANARSIE ASCEND 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 Canarsie Ascend Charter School (the "School"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the period from September 13, 2011 (inception) to June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated October 22, 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 School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

TO THE BOARD OF TRUSTEES OF
CANARSIE ASCEND CHARTER SCHOOL

Compliance and Other Matters

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

Purpose of this Report

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


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

New York, New York
October 22, 2014

FRUCHTER ROSEN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

156 WEST 56TH STREET

NEW YORK, NEW YORK 10019

TEL: (212) 957-3600

FAX: (212) 957-3696

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES

To the Board of Trustees of Canarsie Ascend Charter School:

We have performed the procedures identified below, which were agreed to by the management of Canarsie Ascend Charter School (the "School") and the New York State Education Department ("NYSED") solely to assist the specified parties in evaluating the School's assertion to NYSED that it has maintained compliance with the requirements of the CSP grant and Federal and NYSED guidelines in managing the CSP grant.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specific users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our results are as follows:

Procedure #1: We will obtain the detail of expenditures incurred for the period under review relating to the CSP grant from the School's accounting software and reconcile to the grant revenue recorded by the School. If the CSP grant revenue does not equal the grant expenditures, we will investigate the differences.

Result: No exceptions noted.

Procedure #2: We will obtain the NYSED approved CSP grant award information, including the budget and any amendments, to determine if the revenue and expenditures recorded for the period appear reasonable.

Result: No exceptions noted.

Procedure #3: We will select a sample from the detail of expenditures obtained in Procedure #1.

- a. Payroll – We will select 10 items or 10% of the total number of payroll items charged to the grant, whichever is less.
- b. Other expenses – We will select 10 items or 10% of the total number of items charged to the grant, whichever is less.

c. Using the above selected items, we will:

- i. Determine if the expenditure is in accordance with the purpose of the grant and that pre-opening expenditures are charged to pre-opening periods.
- ii. Determine if the expenditure falls into an approved budget category.
- iii. Determine if the expenditure was charged to the appropriate fiscal period.

Result: No exceptions noted.

Procedure #4: We will obtain FS-25 form(s) submitted to NYSED during the period under review and perform the following:

- a. Trace expenditures selected in Procedure #3 to requests for reimbursement. Determine that items requested for reimbursement had previously been expended or were expended within a month following the request for reimbursement. If items have not yet been requested for reimbursement, inquire of responsible School officials as to the plan for requesting reimbursement, and determine if a receivable is recorded, if appropriate.
- b. If FS-25 forms included amounts on Line 4 (Cash Expenditures Anticipated During Next Month), we will select one FS-25 and determine if funds were expended within 1 month following the date of the request.

Result: No exceptions noted.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on Canarsie Ascend Charter School's compliance with the requirements of the CSP grant. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of Canarsie Ascend Charter School and the New York State Education Department, and it is not intended to be and should not be used by anyone other than the specified parties.


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

New York, New York
October 22, 2014

FRUCHTER ROSEN & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
156 WEST 56TH STREET
NEW YORK, NEW YORK 10019

TEL: (212) 957-3600
FAX: (212) 957-3696

October 22, 2014

To the Audit Committee of the Board of Trustees of
Canarsie Ascend Charter School
9719 Flatlands Avenue
Brooklyn NY 11236

In planning and performing our audit of the financial statements of Canarsie Ascend Charter School (the "School") as of June 30, 2014 and for the period from September 13, 2011 (inception) to June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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


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

New York, New York
October 22, 2014