

BROWNSVILLE COLLEGIATE CHARTER SCHOOL

BROOKLYN, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2011
(With Comparative Totals for 2010)

CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditors' Report	3
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9
 <u>OTHER FINANCIAL INFORMATION</u>	
Independent Auditors' Report on Other Financial Information	15
Schedule of Activities for the years ended June 30, 2011 and 2010, the period from February 23, 2009 (date of inception) to June 30, 2009 and the period from February 23, 2009 (date of inception) to June 30, 2010	16
 <u>REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	
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 <i>Government Auditing Standards</i>	18
Schedule of Findings and Responses	20



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Brownsville Collegiate Charter School

We have audited the accompanying statement of financial position of Brownsville Collegiate Charter School as of June 30, 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of Brownsville Collegiate Charter School as of June 30, 2010 and for the period from February 23, 2009 (date of inception) to June 30, 2010 and, in our report dated October 28, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brownsville Collegiate Charter School as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2011 on our consideration of Brownsville Collegiate Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 18, 2011

BROWNSVILLE COLLEGIATE CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

(With Comparative Totals for 2010)

<u>ASSETS</u>	June 30,	
	<u>2011</u>	<u>2010</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 546,902	\$ 477,136
Grants and other receivables	214,009	74,495
Prepaid expenses	80,885	20,364
TOTAL CURRENT ASSETS	841,796	571,995
<u>PROPERTY AND EQUIPMENT, net</u>	305,723	341,196
TOTAL ASSETS	<u>\$ 1,147,519</u>	<u>\$ 913,191</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 168,452	\$ 99,848
Deferred revenue	-	100,000
TOTAL CURRENT LIABILITIES	168,452	199,848
<u>NET ASSETS, unrestricted</u>		
Designated for building fund	545,000	295,000
Undesignated	434,067	418,343
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,147,519</u>	<u>\$ 913,191</u>

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

BROWNSVILLE COLLEGIATE CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)

	Year ended June 30, 2011	Period from February 23, 2009 (date of inception) to June 30, 2010
Operating revenue and support:		
State and local per pupil operating revenue	\$ 2,338,237	\$ 1,411,618
Government grants	363,425	625,658
Contributions	107,000	463,356
Other income	76	44
TOTAL OPERATING REVENUE AND SUPPORT	2,808,738	2,500,676
Expenses:		
Program services - education	2,209,512	1,494,641
General and administrative	333,502	292,692
TOTAL EXPENSES	2,543,014	1,787,333
CHANGE IN NET ASSETS	265,724	713,343
Unrestricted net assets at beginning of year	713,343	-
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 979,067</u>	<u>\$ 713,343</u>

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

BROWNSVILLE COLLEGIATE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)

	Year ended June 30, 2011			Period from February 23, 2009 (date of inception) to June 30, 2010
	Program services - education	General and administrative	Total	Total
Salaries	\$ 1,308,988	\$ 145,377	\$ 1,454,365	\$ 1,014,048
Payroll taxes and employee benefits	232,159	25,784	257,943	152,377
Occupancy	1,680	-	1,680	8,321
Repairs and maintenance	40,320	11,974	52,294	20,796
Textbooks	7,266	-	7,266	9,877
Instructional supplies and assessments	56,606	-	56,606	91,101
Computer and technology support	60,018	-	60,018	36,962
Student enrichment and services	88,825	-	88,825	60,161
Professional development	88,141	-	88,141	80,734
Professional services	-	15,948	15,948	15,500
Telephone	-	21,847	21,847	11,633
Insurance	-	20,937	20,937	20,809
Management fees	210,554	37,157	247,711	152,912
Office expense	15,196	50,350	65,546	43,578
Depreciation and amortization	99,759	1,297	101,056	65,657
Other	-	2,831	2,831	2,867
	<u>\$ 2,209,512</u>	<u>\$ 333,502</u>	<u>\$ 2,543,014</u>	<u>\$ 1,787,333</u>

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

BROWNSVILLE COLLEGIATE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)

	Year ended June 30 2011	Period from February 23, 2009 (date of inception) to June 30, 2010
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 265,724	\$ 713,343
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	101,056	65,657
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(139,514)	(74,495)
Prepaid expenses	(60,521)	(20,364)
Accounts payable and accrued expenses	68,604	99,848
Deferred revenue	<u>(100,000)</u>	<u>100,000</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	135,349	883,989
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(65,583)</u>	<u>(406,853)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(65,583)</u>	<u>(406,853)</u>
NET INCREASE IN CASH	69,766	477,136
Cash at beginning of year	<u>477,136</u>	<u>-</u>
CASH AT END OF YEAR	<u>\$ 546,902</u>	<u>\$ 477,136</u>

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

BROWNSVILLE COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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

The Charter School

Brownsville Collegiate Charter School (the "Charter School"), is an educational corporation operating as a charter school in the borough of Brooklyn, New York City. On February 23, 2009, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration.

The Charter School's mission is to prepare students for college.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2011 or 2010.

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, 2011 or 2010.

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.

BROWNSVILLE COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

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

The Charter School maintains its cash balances at a financial institution located in New York. Cash account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at the institution. In addition, certain non-interest bearing transaction accounts at the financial institution are 100% insured through December 31, 2012. In the normal course of business, the interest bearing account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

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, 2011 or 2010.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to ten years.

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

BROWNSVILLE COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

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

Cont'd

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 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2009 through June 30, 2011 are still subject to potential audit by the IRS. The Charter School adopted the provisions of FASB ASC 740-10 Accounting for Uncertainty in Income Taxes (formerly FIN 48), and its related amendment on July 1, 2009. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed.

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, 2010

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, 2010, 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 18, 2011, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

BROWNSVILLE COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

NOTE B: RELATED PARTY TRANSACTIONS

Uncommon Schools, Inc. ("USI"), a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Charter School. The Charter School entered into a five year agreement with USI, dated July 1, 2009, under which the Charter School pays USI a service fee of a set percentage of the average number of students enrolled at the Charter School during the school year multiplied by the approved per pupil operating expenses for the school year, and a percentage of all other public entitlement funding receivable during the fiscal year, excluding in-kind contributions and funds from competitive public grants. This percentage is fixed at 10% for years 1-3, decreasing to 9.5% in year 4 and 9% in year 5. The fee incurred during the year ended June 30, 2011 and for the period ended June 30, 2010 was \$247,711 and \$152,912, respectively. At June 30, 2011 and 2010, approximately \$63,000 and \$56,000, respectively, were included in accounts payable, relating to USI.

The Charter School is related to Kings Collegiate Charter School, Ocean Hill Collegiate Charter School, Brooklyn East Collegiate Charter School, Williamsburg Collegiate Charter School and Bedford Stuyvesant Collegiate Charter School through common Board representation. As none of the schools have an economic interest in the net assets of any other school, the facts do not require consolidation of any of these schools with the Charter School in accordance with FASB ASC 958-810 (formerly SOP 94-3 "Reporting of Related Entities by Not-For-Profit Organizations").

NOTE C: SCHOOL FACILITY

The Charter School is located in a New York City Department of Education facility. At June 30, 2011 and 2010, the Board of Trustees has designated \$545,000 and \$295,000, respectively, as a building fund to meet future needs of the Charter School. During the year ended June 30, 2011 and for period ended June 30, 2010, the Charter School paid a fee to the New York City Department of Education for additional after-school and weekend usage amounting to approximately \$1,700 and \$8,300, respectively.

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Year ended June 30,	
	2011	2010
Furniture and fixtures	\$ 63,461	\$ 57,634
Computers and software	251,989	228,983
Leasehold improvements	156,986	120,236
	472,436	406,853
Less accumulated depreciation and amortization	166,713	65,657
	<u>\$ 305,723</u>	<u>\$ 341,196</u>

BROWNSVILLE COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

NOTE E: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. The Charter School matches employees' contributions up to 3% of gross payroll. The Charter School's total contribution to the Plan for the year ended June 30, 2011 and the period ended June 30, 2010 approximated \$11,000 and \$8,000, respectively.

NOTE F: CONTINGENCY

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

NOTE G: CONCENTRATION

At June 30, 2011 and 2010, 80% and 100%, respectively, of accounts receivable were due from New York State.

During the year ended June 30, 2011 and the period ended June 30, 2010, 83% and 50%, 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 H: MAJOR GRANTOR

One federal grant accounted for over ten percent of total operating revenue for the period from February 23, 2009 (date of inception) to June 30, 2010. There were no grants that exceeded 10% of total operating revenue and support for the year ended June 30, 2011.

NOTE I: OPERATING LEASES

The Charter School leases office equipment under non-cancelable lease agreements expiring through August 2014. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2012	\$ 17,857
2013	13,042
2014	11,437
2015	953
	<u>\$ 43,289</u>

BROWNSVILLE COLLEGIATE CHARTER SCHOOL

OTHER FINANCIAL INFORMATION



INDEPENDENT AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Brownsville Collegiate Charter School

Our report on our audit of the basic financial statements of Brownsville Collegiate Charter School as of June 30, 2011 appears on page 3. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 18, 2011

BROWNSVILLE COLLEGIATE CHARTER SCHOOL

SCHEDULE OF ACTIVITIES

YEARS ENDED JUNE 30, 2011 AND 2010,

THE PERIOD FROM FEBRUARY 23, 2009 (DATE OF INCEPTION) TO JUNE 30, 2009
AND THE PERIOD FROM FEBRUARY 23, 2009 (DATE OF INCEPTION) TO JUNE 30, 2010

	<u>Year ended June 30,</u>		<u>Period from</u>	<u>Period from</u>
	<u>2011</u>	<u>2010</u>	<u>February 23,</u>	<u>February 23,</u>
			<u>2009 (date of</u>	<u>2009 (date of</u>
			<u>inception) to</u>	<u>inception) to</u>
			<u>June 30, 2009</u>	<u>June 30, 2010</u>
State and local per pupil operating revenue	\$ 2,338,237	\$ 1,411,618	\$ -	\$ 1,411,618
Government grants	363,425	507,392	118,266	625,658
Contributions	107,000	358,356	105,000	463,356
Other income	<u>76</u>	<u>44</u>	<u>-</u>	<u>44</u>
TOTAL OPERATING REVENUE				
AND SUPPORT	2,808,738	2,277,410	223,266	2,500,676
Salaries	1,454,365	908,110	105,938	1,014,048
Payroll taxes and employee benefits	257,943	144,459	7,918	152,377
Occupancy	1,680	8,321	-	8,321
Repairs and maintenance	52,294	20,688	108	20,796
Textbooks	7,266	9,877	-	9,877
Instructional supplies and assessments	56,606	91,101	-	91,101
Computer and technology supplies	60,018	36,912	50	36,962
Student enrichment and services	88,825	60,051	110	60,161
Professional development	88,141	54,070	26,664	80,734
Professional services	15,948	15,500	-	15,500
Telephone	21,847	10,397	1,236	11,633
Insurance	20,937	20,809	-	20,809
Management fees	247,711	152,912	-	152,912
Office expense	65,546	39,960	3,618	43,578
Depreciation and amortization	101,056	65,657	-	65,657
Other	<u>2,831</u>	<u>2,566</u>	<u>301</u>	<u>2,867</u>
TOTAL EXPENSES	<u>2,543,014</u>	<u>1,641,390</u>	<u>145,943</u>	<u>1,787,333</u>
CHANGE IN NET ASSETS	<u>\$ 265,724</u>	<u>\$ 636,020</u>	<u>\$ 77,323</u>	<u>\$ 713,343</u>

BROWNSVILLE COLLEGIATE CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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

Board of Trustees
Brownsville Collegiate Charter School

We have audited the financial statements of Brownsville Collegiate Charter School (the "Charter School") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 18, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Brownsville Collegiate Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brownsville Collegiate Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses, item 2011-1, to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Brownsville Collegiate Charter School in a separate letter dated October 18, 2011.

The Charter School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Charter School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management, federal, state and local awarding agencies, The Charter Schools Institute of the State University of New York and the State Education Department of the State University of New York 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 18, 2011

BROWNSVILLE COLLEGIATE CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2011

Finding 2011-1

Statement of condition

We noted during our audit a significant misstatement of receivables and revenue related to the Federal Title I grant revenue.

Criteria and effect of conditions

There was an error in recording the Federal Title I grant revenue. The approved budgeted amounts were recorded rather than the funds available to the Charter School which led to revenue and accounts receivable being overstated. This is considered to be a significant deficiency.

Recommendation

We recommend the Federal Title I grant revenue be reviewed thoroughly for accuracy on an annual basis.

Management response

The Director of Finance will thoroughly review the year-end Title I allocations invoices to ensure accurate financial reporting.