

KINGS COLLEGIATE CHARTER SCHOOL

BROOKLYN, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2013

(With Comparative Totals for 2012)



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Kings Collegiate Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Kings Collegiate Charter School, which comprise the statement of financial position as of June 30, 2013, 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 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 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 Kings Collegiate Charter School as of June 30, 2013, 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 Kings Collegiate Charter School's June 30, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 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, 2013 on our consideration of Kings Collegiate Charter 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 Kings Collegiate Charter School's internal control over financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 16, 2013

KINGS COLLEGIATE CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

(With Comparative Totals for 2012)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 1,663,936	\$ 1,524,004
Certificates of deposit	262,088	-
Grants and other receivables	97,655	139,274
Due from related parties	279,173	293,482
Prepaid expenses	102,021	46,765
TOTAL CURRENT ASSETS	2,404,873	2,003,525
<u>PROPERTY AND EQUIPMENT, net</u>	281,169	276,624
TOTAL ASSETS	<u>\$ 2,686,042</u>	<u>\$ 2,280,149</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 464,929	\$ 422,649
<u>NET ASSETS, unrestricted</u>		
Designated for stability fund	1,124,000	964,000
Undesignated	1,097,113	893,500
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,686,042</u>	<u>\$ 2,280,149</u>

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

KINGS COLLEGIATE CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2013
(With Comparative Totals for 2012)

	Year ended June 30,	
	2013	2012
Operating revenue and support:		
State and local per pupil operating revenue	\$ 5,246,253	\$ 4,428,033
Government grants	295,265	265,572
Contributions	325,782	438,750
Other income	22,006	10,746
TOTAL OPERATING REVENUE AND SUPPORT	5,889,306	5,143,101
Expenses:		
Program services - education	4,987,075	4,544,994
General and administrative	538,618	454,871
TOTAL EXPENSES	5,525,693	4,999,865
CHANGE IN NET ASSETS	363,613	143,236
Unrestricted net assets at beginning of year	1,857,500	1,714,264
UNRESTRICTED NET ASSETS AT END OF YEAR	\$ 2,221,113	\$ 1,857,500

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

KINGS COLLEGIATE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2013
(With Comparative Totals for 2012)

	Year ended June 30,			
	2013			2012
	Program services - education	General and administrative	Total	Total
Salaries	\$ 3,127,337	\$ 185,679	\$ 3,313,016	\$ 2,971,761
Payroll taxes and employee benefits	487,119	29,308	516,427	461,995
Occupancy	104,301	-	104,301	92,779
Repairs and maintenance	144,289	116	144,405	129,814
Textbooks	35,283	-	35,283	24,299
Instructional supplies and assessments	34,199	-	34,199	93,964
Computer and technology support	139,972	-	139,972	165,396
Student enrichment and services	213,179	-	213,179	177,168
Professional development	159,097	-	159,097	143,597
Professional services	-	16,750	16,750	16,685
Telephone	-	84,417	84,417	57,902
Insurance	-	65,143	65,143	52,376
Management fees	396,344	69,943	466,287	412,219
Office expense	46,940	69,929	116,869	96,550
Depreciation and amortization	101,509	3,956	105,465	96,806
Bad debt recoveries	(2,494)	-	(2,494)	-
Other	-	13,377	13,377	6,554
	<u>\$ 4,987,075</u>	<u>\$ 538,618</u>	<u>\$ 5,525,693</u>	<u>\$ 4,999,865</u>

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

KINGS COLLEGIATE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013
(With Comparative Totals for 2012)

	Year ended June 30,	
	2013	2012
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 363,613	\$ 143,236
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Bad debt recoveries	(2,494)	-
Depreciation and amortization	105,465	96,806
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	44,113	68,866
Due from related parties	14,309	(271,416)
Prepaid expenses	(55,256)	3,062
Accounts payable and accrued expenses	42,280	55,862
NET CASH PROVIDED FROM OPERATING ACTIVITIES	512,030	96,416
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(110,010)	(65,812)
(Purchases of) proceeds from certificates of deposit	(262,088)	261,011
NET CASH (USED FOR) PROVIDED FROM INVESTING ACTIVITIES	(372,098)	195,199
NET INCREASE IN CASH	139,932	291,615
Cash at beginning of year	1,524,004	1,232,389
CASH AT END OF YEAR	<u>\$ 1,663,936</u>	<u>\$ 1,524,004</u>

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

KINGS COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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

The Charter School

Kings Collegiate Charter School (the “Charter School”), is an educational corporation operating as a charter school in the borough of Brooklyn, New York City. On July 31, 2006, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years which was renewed on January 25, 2012 for an additional five years and renewable upon expiration.

The Charter School’s mission is to prepare each student 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 (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, 2013 or 2012.

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, 2013 or 2012.

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.

KINGS COLLEGIATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, Cont'd
JUNE 30, 2013 AND 2012

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 financial institutions located in New York and are insured by the FDIC up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Certificates of deposit

Certificates of deposit represent certificates of deposit with maturities of nine months or less. In the normal course of business, the certificates of deposit 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 certificates of deposit.

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, 2013 or 2012.

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.

KINGS COLLEGIATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, Cont'd
JUNE 30, 2013 AND 2012

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 the Form 990 in the U.S. federal jurisdiction. With few exceptions, as of June 30, 2013, 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, 2010. The tax returns for the years ended June 30, 2010 through June 30, 2013 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.

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 \$19,996 in the year ended June 30, 2013 and are included in other income in the accompanying statement of activities and changes in net assets for the year ended June 30, 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, 2012

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, 2012, 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, 2013, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

KINGS COLLEGIATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, Cont'd
JUNE 30, 2013 AND 2012

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, 2007 which was renewed for an additional five years on 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 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 9.5% in 2011 and 9% for 2012 through 2017. The fee incurred for the years ended June 30, 2013 and 2012 was approximately \$466,000 and \$412,000, respectively. At June 30, 2013 and 2012, approximately \$90,000 and \$120,000, respectively, are included in accounts payable relating to USI.

The Charter School is related to Williamsburg Collegiate Charter School, Ocean Hill Collegiate Charter School, Brooklyn East Collegiate Charter School, Bedford Stuyvesant Collegiate Charter School and Brownsville 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 GAAP.

In December 2011, the Charter School entered into a memorandum of understanding with Williamsburg Collegiate Charter School and Excellence Boys Charter School to co-locate in a shared high school beginning in the 2011 – 2012 school year. The Charter School 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 and 2012, there were certain related party receivables valued at approximately \$255,000 and \$293,000, respectively, due from Williamsburg Collegiate Charter School as a result of the shared facilities. At June 30, 2013 there were certain related party receivables valued at approximately \$24,000 due from Excellence Boys Charter School as a result of the shared facilities.

NOTE C: SCHOOL FACILITY

The Charter School is located in a New York City Department of Education facility. At June 30, 2013 and 2012, the Board of Trustees has designated \$1,124,000 and \$964,000, respectively, as a stability fund to meet future needs of the Charter School. During the years ended June 30, 2013 and 2012, the Charter School paid a fee to the New York City Department of Education for additional after-school and weekend usage amounting to approximately \$8,500 and \$500, respectively.

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, 2013 and 2012, the Charter School paid certain utility and maintenance services on a square footage basis amounting to approximately \$95,800 and \$92,300, respectively.

KINGS COLLEGIATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, Cont'd
JUNE 30, 2013 AND 2012

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	<u>2013</u>	<u>2012</u>
Leasehold improvements	\$ 187,681	\$ 177,496
Furniture and fixtures	192,851	175,876
Computers and software	<u>360,139</u>	<u>277,290</u>
	740,671	630,662
Less accumulated depreciation and amortization	<u>459,502</u>	<u>354,038</u>
	<u><u>\$ 281,169</u></u>	<u><u>\$ 276,624</u></u>

NOTE E: OPERATING LEASES

The Charter School leases office equipment under non-cancelable lease agreements expiring through January 2017. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 40,140
2015	39,958
2016	22,924
2017	18,743
2018	<u>2,943</u>
	<u><u>\$ 124,708</u></u>

NOTE F: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. The Charter School matches employees' contributions up to the lesser of 3% of gross payroll or \$3,500. The Charter School's total contribution to the Plan for the years ended June 30, 2013 and 2012 approximated \$50,100 and \$31,000, respectively.

KINGS COLLEGIATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS, Cont'd
JUNE 30, 2013 AND 2012

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, 2013, approximately 52% of accounts receivable was due from a grantor and 22% of accounts receivable was due from New York State. At June 30, 2012, approximately 58% of accounts receivable was due from a grantor and 18% of accounts receivable was due from New York State.

During the years ended June 30, 2013 and 2012, 89% and 86%, 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.

KINGS COLLEGIATE CHARTER SCHOOL

OTHER FINANCIAL INFORMATION



INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Kings Collegiate Charter School

We have audited the financial statements of Kings Collegiate Charter School as of and for the year ended June 30, 2013, and we have issued our report thereon dated October 16, 2013, 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 2013 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, 2013, as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 16, 2013

KINGS COLLEGIATE CHARTER SCHOOL

SCHEDULE OF MIDDLE SCHOOL AND HIGH SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2013

	<u>Middle School</u>	<u>High School</u>	<u>Total</u>
State and local per pupil operating revenue	\$ 4,175,239	\$ 1,071,014	\$ 5,246,253
Government grants	233,297	61,968	295,265
Contributions	-	325,782	325,782
Other income	<u>21,476</u>	<u>530</u>	<u>22,006</u>
TOTAL OPERATING REVENUE AND SUPPORT	4,430,012	1,459,294	5,889,306
Salaries	2,528,027	784,989	3,313,016
Payroll taxes and employee benefits	395,723	120,704	516,427
Occupancy	8,538	95,763	104,301
Repairs and maintenance	5,903	138,502	144,405
Textbooks	14,890	20,393	35,283
Instructional supplies and assessments	25,969	8,230	34,199
Computer and technology support	99,701	40,271	139,972
Student enrichment and services	184,987	28,192	213,179
Professional development	134,229	24,868	159,097
Professional services	12,583	4,167	16,750
Telephone	67,111	17,306	84,417
Insurance	42,717	22,426	65,143
Management fees	370,949	95,338	466,287
Office expense	98,923	17,946	116,869
Depreciation and amortization	95,447	10,018	105,465
Bad debt expense (recoveries)	1,194	(3,688)	(2,494)
Other	<u>9,607</u>	<u>3,770</u>	<u>13,377</u>
TOTAL EXPENSES	<u>4,096,498</u>	<u>1,429,195</u>	<u>5,525,693</u>
CHANGE IN NET ASSETS	<u>\$ 333,514</u>	<u>\$ 30,099</u>	<u>\$ 363,613</u>

KINGS COLLEGIATE CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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

Board of Trustees
Kings Collegiate Charter School

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Kings Collegiate Charter School, which comprise the statement of financial position as of June 30, 2013, 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, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kings Collegiate Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kings Collegiate Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Kings Collegiate Charter School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kings Collegiate Charter 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*.

We noted certain matters that we reported to management of Kings Collegiate Charter School in a separate letter dated October 16, 2013.

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, 2013