

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES OF
BRONX COMMUNITY CHARTER SCHOOL

Report on the Financial Statements

We have audited the accompanying financial statements of Bronx Community 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 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 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 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 the School's 2013 financial statements, and our report dated September 16, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 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
September 17, 2014

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,300,732	\$ 1,959,730
Grants and contracts receivable	51,742	34,417
Prepaid expenses and other current assets	159,906	119,182
Total current assets	1,512,380	2,113,329
Property and equipment, net of accumulated depreciation and amortization of \$159,975 and \$34,044, respectively	1,163,051	985,482
Restricted cash	75,357	75,206
Security deposits	234,292	256,658
TOTAL ASSETS	\$ 2,985,080	\$ 3,430,675
 LIABILITIES AND UNRESTRICTED NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 131,138	\$ 135,210
Accrued payroll and payroll taxes	332,698	274,419
Total current liabilities	463,836	409,629
Deferred rent	233,635	-
Total liabilities	697,471	409,629
Unrestricted net assets	2,287,609	3,021,046
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$ 2,985,080	\$ 3,430,675

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

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2014	2013
Revenue and support:		
State and local per pupil operating revenue	\$ 4,723,468	\$ 4,376,003
Federal grants	204,152	373,619
State and city grants	23,977	143,381
Contribution and grants	40,133	94,235
Fundraising	23,291	19,068
Donated services	-	33,244
After school program	31,014	-
Interest and other income	3,224	5,205
	<u>5,049,259</u>	<u>5,044,755</u>
 Total revenue and support		
Expenses:		
Program services		
Regular education	4,586,368	3,268,597
Special education	693,907	667,727
Total program services	<u>5,280,275</u>	<u>3,936,324</u>
Supporting services		
Management and general	423,081	255,030
Fundraising	79,340	49,984
	<u>5,782,696</u>	<u>4,241,338</u>
 Total expenses		
Changes in unrestricted net assets	(733,437)	803,417
Unrestricted net assets - beginning of year	<u>3,021,046</u>	<u>2,217,629</u>
Unrestricted net assets - end of year	<u>\$ 2,287,609</u>	<u>\$ 3,021,046</u>

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

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in unrestricted net assets	\$ (733,437)	\$ 803,417
Adjustments to reconcile changes in unrestricted net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	125,931	14,387
Changes in assets and liabilities:		
(Increase) Decrease in grants and contracts receivable	(17,325)	13,992
(Increase) in prepaid expenses and other current assets	(40,724)	(64,726)
Decrease (Increase) in security deposits	22,366	(30,001)
(Increase) in restricted cash	(151)	(188)
(Decrease) Increase in accounts payable and accrued expenses	(4,072)	4,795
Increase in accrued payroll and payroll taxes	58,279	59,700
Increase in deferred rent	233,635	-
	(355,498)	801,376
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITY:		
Purchase of property and equipment	(303,500)	(841,249)
	(658,998)	(39,873)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,959,730	1,999,603
	\$ 1,300,732	\$ 1,959,730
CASH AND CASH EQUIVALENTS - END OF YEAR		

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

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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

Nature of Organization

Bronx Community Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on January 15, 2008 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on January 15, 2008 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. During 2012, the Board Regents extended the School's charter through June 30, 2015. The School is a small learning community founded on the principle that children learn best when they are active participants in their own learning. The students raise questions about the world around them, engage with a wide range of materials, and learn through their interactions with each other and all of the adults in the School community. Classes commenced in the Bronx, New York, in August 2008 and the School provided education to approximately 310 students in kindergarten through fifth grade in the 2013-2014 academic year.

Food and Transportation

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 unreimbursed cost of lunches for children not entitled to the free lunches. The Office of Pupil Transportation provides free transportation to the majority of the students during the district's school days.

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 years ended June 30, 2014 and 2013.

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 forms 990 filed by the School are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Forms 990 filed by the School are no longer subject to examination for the fiscal years ended June 30, 2010 and prior.

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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

Basis of Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board (“FASB”) in its Accounting Standards Codification (“ASC”) No. 958-205 which provides guidance for the classification of net assets. The amounts for each of the three classes of net assets are based on the existence or absence of donor-imposed restrictions described as follows:

Unrestricted

Net assets of the School whose use has not been restricted by an outside donor or by law. They are available for any use in carrying out the operations of the School.

Temporarily Restricted

Net assets of the School whose use has been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the School. When such stipulations end or are fulfilled, such 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.

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 and 2013.

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 at the date of donation.

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.

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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

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.

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 and amortization 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:

Computers and equipment	3 and 5 years
Furniture and fixtures	7 years
Leasehold improvements	Useful life or related lease

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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

Deferred Rent

The School records its rent in accordance with FASB 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.

Reclassifications

Certain 2013 accounts have been reclassified to conform to the 2014 financial statement presentation. The reclassifications have no effect on 2013 total assets, liabilities, net assets and change in net assets.

Comparative Financial Information

The accompanying statements of activities and functional expenses are presented with summarized comparative information. Such prior year information is not presented by net asset class in the statement of activities or by functional category in the schedule of functional expenses. Accordingly, such information should be read in conjunction with the School's 2013 financial statements from which the summarized information was derived.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

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

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30,:

	2014	2013
Computers and equipment	\$ 133,782	\$ 60,836
Furniture and fixture	143,449	31,767
Leasehold improvements	1,045,795	-
Construction in progress	-	926,923
	1,323,026	1,019,526
Less: Accumulated depreciation and amortization	159,975	34,044
	\$ 1,163,051	\$ 985,482

Depreciation and amortization expense was \$125,931 and \$14,387 for the years ended June 30, 2014 and 2013, respectively.

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 3 - PROPERTY AND EQUIPMENT (Continued)

Construction in progress consists of architect fees and hard costs associated with the development of permanent school facilities which was completed in July 2013.

NOTE 4 - COMMITMENTS

On May 18, 2011, and as amended at various subsequent dates, the School entered into an agreement to construct permanent office and classroom space at 3170 Webster Avenue, Bronx, New York for a period of 15 years expiring on June 30, 2028. The lease calls for three 5 year options for an additional fifteen years through June 30, 2043. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes and other operating expenses.

The future minimum lease payments through June 30, 2028 are as follows:

For the year ending	
June 30, 2015	\$ 619,107
2016	619,107
2017	782,030
2018	782,030
2019	852,562
Thereafter	<u>8,060,993</u>
	<u>\$ 11,715,829</u>

The School recognizes rent expense on a straight-line basis over the term of the lease. Rent expense in excess of payments is recorded as deferred rent in the accompanying statement of financial position. Facility expense for the years ended June 30, 2014 and 2013 was \$870,855 and \$305,562 for the years ended, respectively.

NOTE 5 - 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 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.

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 7 - DONATED SERVICES

Donated services are recognized as contributions in accordance with FASB ASC 605, “Accounts for Contributions Received and Contributions Made”, if the services (a) create or enhance non-financial assets of (b) require specialized skills, are performed by people with those skills, and would otherwise be purchases by the School.

One entity provided legal services to the School at no charge. The value of these services meets the criteria for recognition in the financial statements and was recorded at fair market value of \$-0- and \$33,244 for the years ended June 30, 2014 and 2013, respectively.

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 - PENSION PLAN

The School maintains a pension plan qualified under Internal Revenue Code 401(k) for the benefit of its eligible employees. Under the plan, the School will match employee contributions up to 4% of annual compensation. The amount charged for matching contributions to this plan was \$58,793 and \$47,017 for the years ended June 30, 2014 and 2013, respectively. In addition, the amount charged to operations for administrative fees under the plan amounted to \$2,126 and \$2,550 for the years ended June 30, 2014 and 2013, respectively.

NOTE 10 - UNION AGREEMENT

On February 1, 2014 the School entered into a Collective Bargaining Agreement (“CBA”) with the United Federation of Teachers (“UFT”) expiring June 30, 2015. Under the CBA, the School is required to follow a Due Process for teacher discipline, terminations, and suspension. As specified in the CBA and among others, the School shall maintain a student-teacher ratio, follow a salary step based on years of experience, and provide employment benefits and paid leaves. The School is not obligated to contribute into the Teachers Retirement System.

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 11 - SUBSEQUENT EVENTS

The School has evaluated its subsequent events through September 17, 2014 the date that the accompanying financial statements were issued. The School has no material events requiring disclosure.

FRUCHTER ROSEN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

TO THE BOARD OF TRUSTEES OF
BRONX COMMUNITY CHARTER SCHOOL

We have audited the financial statements of Bronx Community Charter School as of and for the year ended June 30, 2014, and have issued our report thereon dated September 17, 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
September 17, 2014

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30,

	2014						2013
	Program Services			Management and General	Fundraising	Total	Total
	Regular Education	Special Education	Total				
Salaries and wages	\$ 2,694,534	\$ 329,959	\$ 3,024,493	\$ 257,724	\$ 45,918	\$ 3,328,135	\$ 2,766,657
Payroll taxes and employee benefits	513,270	74,495	587,765	58,450	8,478	654,693	553,507
Consultants - educational	44,986	5,268	50,254	-	-	50,254	24,733
Consultants - other	23,121	5,586	28,707	5,007	310	34,024	10,253
Staff training and development	27,382	13,283	40,665	1,540	85	42,290	32,859
Donated legal services	-	-	-	-	-	-	33,244
Legal fees	32,553	5,422	37,975	1,119	187	39,281	12,098
Audit and accounting fees	-	-	-	20,870	-	20,870	18,845
Travel and entertainment	810	124	934	207	4	1,145	1,916
Field trips	24,415	2,913	27,328	-	-	27,328	3,115
Student food service	4,955	1,017	5,972	-	-	5,972	6,302
Parent/Student involvement	32,762	3,718	36,480	-	-	36,480	28,621
Books and curriculum	158,041	17,640	175,681	-	-	175,681	143,757
Classroom supplies	79,072	9,011	88,083	-	-	88,083	84,828
Student transportation	7,925	880	8,805	-	-	8,805	-
Office expense	29,957	5,411	35,368	4,100	263	39,731	24,969
Equipment lease and maintenance	9,503	2,281	11,784	848	127	12,759	7,536
Repairs and maintenance	88,118	20,909	109,027	7,476	1,147	117,650	29,641
Telephone and internet service	43,428	10,376	53,804	3,445	574	57,823	6,999
Postage and delivery	567	135	702	68	8	778	2,403
Insurance	20,150	4,695	24,845	1,963	261	27,069	62,279
Facility expense	652,524	157,197	809,721	52,401	8,733	870,855	305,562
Information technology	3,823	917	4,740	306	51	5,097	50,818
Fundraising expense	-	-	-	-	11,700	11,700	14,758
Depreciation and amortization	94,448	22,667	117,115	7,557	1,259	125,931	14,387
Miscellaneous	24	3	27	-	235	262	1,251
Total	\$ 4,586,368	\$ 693,907	\$ 5,280,275	\$ 423,081	\$ 79,340	\$ 5,782,696	\$ 4,241,338

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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
BRONX COMMUNITY 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 Bronx Community 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 year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2014.

Internal Control Over Financial Reporting

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

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

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

TO THE BOARD OF TRUSTEES OF
BRONX COMMUNITY 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*.

We noted certain matter that was reported to the management of the School in a separate letter dated September 17, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
September 17, 2014