

BRONX LIGHTHOUSE CHARTER SCHOOL

FINANCIAL REPORT

JUNE 30, 2007

BRONX LIGHTHOUSE CHARTER SCHOOL

FINANCIAL REPORT

JUNE 30, 2007

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INDEPENDENT AUDITORS' REPORT

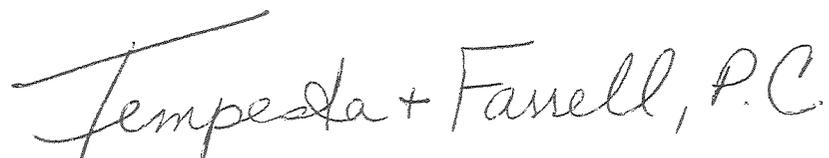
To the Board of Directors of
Bronx Lighthouse Charter School
Bronx, New York

We have audited the accompanying statements of financial position of Bronx Lighthouse Charter School (the "School") as of June 30, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Bronx Lighthouse Charter School as of June 30, 2007 and 2006, and the changes in its net assets and cash flows for the years 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 September 25, 2007, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.



New York, New York
September 25, 2007

BRONX LIGHTHOUSE CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 532,782	\$ 279,132
Restricted cash	10,899	-
Receivables	136,421	222,413
Prepaid expenses	74,272	22,451
Security deposits	19,505	53,729
Fixed assets - net	67,752	150,291
Total assets	\$ 841,631	\$ 728,016
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 72,917	\$ 46,839
Accrued payroll and payroll taxes	281,184	126,578
Accrued compensated absences	23,693	-
Capital leases payable	12,208	83,063
Note payable	80,393	150,124
Total liabilities	470,395	406,604
Commitments and Contingencies		
Net assets	336,201	304,508
Unrestricted	35,035	16,904
Temporarily restricted	371,236	321,412
Total net assets		
Total liabilities and net assets	\$ 841,631	\$ 728,016

See Accompanying Notes to Financial Statements.

BRONX LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:			
Student enrollment	\$ 2,790,012	\$ -	\$ 2,790,012
Federal grants	240,744	-	240,744
Public support	6,815	160,000	166,815
Investment income	24,338	-	24,338
Other	11,806	-	11,806
In-kind donation	606,605	-	606,605
Net assets released from restrictions	141,869	(141,869)	-
Total revenue and support	3,822,189	18,131	3,840,320
EXPENSES:			
Program services:			
Educational Services	3,493,608	-	3,493,608
Total program expenses	3,493,608	-	3,493,608
Supporting services:			
Management and general	296,888	-	296,888
Total supporting services	296,888	-	296,888
Total expenses	3,790,496	-	3,790,496
Change in net assets	31,693	18,131	49,824
Net assets - beginning of year	304,508	16,904	321,412
Net assets, end of year	\$ 336,201	\$ 35,035	\$ 371,236

See Accompanying Notes to Financial Statements.

BRONX LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:			
Student enrollment	\$ 1,649,859	\$ -	\$ 1,649,859
State and local government grants	51,856	-	51,856
Federal grants	383,974	-	383,974
Public support	10,000	132,173	142,173
Investment income	8,454	-	8,454
Other	7,812	-	7,812
In-kind donation	125,000	-	125,000
Net assets released from restrictions	115,269	(115,269)	-
	<u>2,352,224</u>	<u>16,904</u>	<u>2,369,128</u>
EXPENSES:			
Program services:			
Educational services	1,906,398	-	1,906,398
Total program expenses	<u>1,906,398</u>	<u>-</u>	<u>1,906,398</u>
Supporting services:			
Management and general	263,283	-	263,283
Total supporting services	<u>263,283</u>	<u>-</u>	<u>263,283</u>
Total expenses	<u>2,169,681</u>	<u>-</u>	<u>2,169,681</u>
Change in net assets	182,543	16,904	199,447
Net assets - beginning of year	121,965	-	121,965
Net assets, end of year	<u>\$ 304,508</u>	<u>\$ 16,904</u>	<u>\$ 321,412</u>

See Accompanying Notes to Financial Statements.

BRONX LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007

	EDUCATIONAL SERVICES	MANAGEMENT AND GENERAL	TOTAL
Salaries	\$ 1,690,449	\$ 96,229	\$ 1,786,678
Payroll taxes and fringe benefits	372,240	21,491	393,731
	<u>2,062,689</u>	<u>117,720</u>	<u>2,180,409</u>
Professional fees and Consultants	122,394	11,750	134,144
Management fees - Lighthouse Academies	16,250	48,750	65,000
Contracted services - other	38,551	22,517	61,068
Supplies	204,534	-	204,534
Advertising	-	1,584	1,584
Food	-	8,981	8,981
Insurance	67,367	7,485	74,852
Library	35,431	-	35,431
Repairs & maintenance	57,613	5,800	63,413
Printing	-	12,237	12,237
Staff development and recruitment	21,538	-	21,538
Telephone	13,465	1,496	14,961
Field trips and other activities	3,000	-	3,000
Travel	3,899	19,598	23,497
Utilities	120,945	13,438	134,383
In-kind donation - facility	585,000	-	585,000
In-kind donation - textbooks	21,605	-	21,605
Occupancy	29,239	3,770	33,009
Other	5,519	16,233	21,752
Interest	-	5,529	5,529
Fixed assets returned to funder	17,902	-	17,902
Depreciation and amortization	66,667	-	66,667
	<u>\$ 3,493,608</u>	<u>\$ 296,888</u>	<u>\$ 3,790,496</u>

See Accompanying Notes to Financial Statements.

**BRONX LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>EDUCATIONAL SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL</u>
Salaries	\$ 1,085,583	\$ 85,736	\$ 1,171,319
Payroll taxes and fringe benefits	265,395	19,663	285,058
	<u>1,350,978</u>	<u>105,399</u>	<u>1,456,377</u>
Professional fees and Consultants	69,402	12,778	82,180
Management fees - Lighthouse Academies	16,250	48,750	65,000
Contracted services - Other	27,181	18,059	45,240
Supplies	89,458	78	89,536
Advertising	3,236	-	3,236
Food	2,000	-	2,000
Insurance	23,785	2,643	26,428
Interest	9,632	9,067	18,699
Library	30,931	-	30,931
Repairs & Maintenance	4,028	448	4,476
Printing	-	6,881	6,881
Staff development and recruitment	77,560	-	77,560
Telephone	3,655	406	4,061
Field trips and other activities	6,927	-	6,927
Travel	3,631	23,456	27,087
Utilities	1,717	13,924	15,641
In-kind donation - facility	115,770	9,230	125,000
Other	-	12,164	12,164
Depreciation and amortization	70,257	-	70,257
	<u>\$ 1,906,398</u>	<u>\$ 263,283</u>	<u>\$ 2,169,681</u>

See Accompanying Notes to Financial Statements.

BRONX LIGHTHOUSE CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 49,824	\$ 199,447
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	66,667	70,257
Changes in:		
Receivables	85,992	(206,080)
Prepaid expenses	(51,821)	(677)
Security deposits	34,224	16,031
Accounts payable and accrued expenses	26,078	26,764
Accrued payroll and payroll taxes	154,606	62,761
Accrued compensated absences	23,693	-
Net cash provided by operating activities	<u>389,263</u>	<u>168,503</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(6,279)	(45,400)
Disposal of fixed assets	22,151	-
Net cash provided by (used in) investing activities	<u>15,872</u>	<u>(45,400)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(69,731)	(79,876)
Proceed from capital leases financing	-	38,436
Payment of capital leases	(70,855)	(31,767)
Net cash used in financing activities	<u>(140,586)</u>	<u>(73,207)</u>
Net increase in cash	264,549	49,896
CASH AND CASH EQUIVALENTS, beginning of year	<u>279,132</u>	<u>229,236</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 543,681</u>	<u>\$ 279,132</u>
SUPPLEMENTAL DATA:		
Interest paid	\$ 5,529	\$ 18,699
Property and equipment acquired under capital leases	\$ -	\$ 38,436

See Accompanying Notes to Financial Statements.

BRONX LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 1. ORGANIZATION

Bronx Lighthouse Charter School ("the School") is a Charter School incorporated on May 18, 2004, pursuant to the New York Charter School Act of 1998. The School's charter is for a period of five years commencing on July 1, 2005. The School is located in the South Bronx, and offers classes from Kindergarten through grade two.

The School is also an affiliate of Lighthouse Academies, Inc., ("Lighthouse Academies") a Delaware nonprofit corporation. Lighthouse Academies provides business and educational management services to the School.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of policies is provided to assist the reader in the interpretation of the accompanying financial statements.

A) Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

B) Financial Statement Presentation

The School reports its financial position and operating activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The classification of net assets and related support, revenue and expenses is based on the presence or absence of donor-imposed restrictions.

These classifications are defined as follows:

Permanently Restricted – net assets, generally of an endowment nature, resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulation that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the recipient. The School has no permanently restricted net assets.

Temporarily Restricted - net assets resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions taken pursuant to those stipulations. When stipulations terminate or are fulfilled, the amounts involved are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unrestricted – unexpended net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.

BRONX LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C) 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D) Cash and Cash Equivalents

For the purpose of the statements of cash flows, the School considers highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

E) Fixed Assets

Fixed assets such as furniture and equipment, which are required to be expensed for contract reimbursement purposes, have been capitalized for financial reporting purposes (when cost exceeds \$1,000), and are depreciated over their respective estimated useful lives, generally not exceeding seven years. Building and building improvements are depreciated over 39 years. Leasehold improvements are capitalized at cost and amortized over the lesser of the term of the lease or the estimated useful life of the improvement.

The School leases its computer equipment and furniture and equipment under capital leases. The economic substance of the lease is that the School is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the School's assets and liabilities

Under the terms of its grant with its principal government-funding agency, title to capitalized assets acquired with government contract revenues reverts to that agency in the event the School should cease operations.

F) Revenue

Student enrollment fees received for future years are deferred to the applicable year and are shown as deferred revenue on the statements of financial position.

The School is reimbursed based on the approved per pupil operating expenses of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil operating expenses and the full time equivalent student enrollment of the School. The School is also the recipient of awards from other various government entities. The awards are subject to compliance requirements and financial audits by the funding source.

BRONX LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G) Tax-Exempt Status

The School is a nonprofit organization exempt from Federal income taxes under the provisions of Section 501 (c) (3) of the Internal Revenue Code.

H) Functional Allocation of Expenses

The direct costs of providing educational programs and other activities have been summarized on a functional basis in the statements of activities. In addition, certain indirect costs have been allocated among the programs.

NOTE 3. RESTRICTED CASH

The School is required to deposit \$1,089 per month into a contingency fund to serve as a reserve for its lease payments. The restricted cash balance as of June 30, 2007 and 2006 was \$10,889 and \$0, respectively.

NOTE 4. RECEIVABLES

Receivables are summarized as follows:

	<u>2007</u>	<u>2006</u>
State Education Department	\$ 67,914	\$ 104,697
Lighthouse Academies, Inc.	36,815	60,521
New York City Department of Education	30,079	55,326
Other	<u>1,613</u>	<u>1,869</u>
	<u>\$ 136,421</u>	<u>\$ 222,413</u>

**BRONX LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 5. FIXED ASSETS

Fixed assets are summarized as follows:

	<u>2007</u>	<u>2006</u>
Furniture & equipment	\$ 71,416	\$ 100,648
Computer equipment under capital leases	136,987	136,987
Computer equipment	<u>23,868</u>	<u>20,001</u>
	232,271	257,636
Less: accumulated depreciation	(45,662)	(37,347)
accumulated amortization	<u>(118,857)</u>	<u>(69,998)</u>
	<u>\$ 67,752</u>	<u>\$ 150,291</u>

The School entered into a security agreement with its affiliate, Lighthouse Academies, whereby the furniture and equipment were pledged as collateral to secure a note (see Note 7).

NOTE 6. CAPITAL LEASES PAYABLE

A) The School entered into several capital leases arrangements with its affiliate, Lighthouse Academies. The School leases furniture and equipment, and other classroom materials from Lighthouse Academies. The lease obligations (included in capital leases payable on the accompanying statements of financial position) and related assets (included in fixed assets on the accompanying statements of financial position) have been capitalized for financial reporting purposes. The capital leases have interest rates varying from 10% - 14% and varying quarterly installment payments.

B) Capital leases payable is summarized as follows:

	<u>2007</u>	<u>2006</u>
Capital leases payable – Beginning	\$ 83,063	\$ 76,393
Additional capital leases	-	38,436
Payments made	<u>(70,855)</u>	<u>(31,767)</u>
Capital leases payable – Ending	<u>\$ 12,208</u>	<u>\$ 83,063</u>

Future minimum payments under capital leases are as follows:

<u>Year- ended June 30,</u>	<u>Amount</u>
2008	\$ <u>12,208</u>

BRONX LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

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Computer equipment under capital leases	136,987	136,987
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	232,271	257,636
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accumulated amortization	<u>(118,857)</u>	<u>(69,998)</u>
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B) Capital leases payable is summarized as follows:

	<u>2007</u>	<u>2006</u>
Capital leases payable – Beginning	\$ 83,063	\$ 76,393
Additional capital leases	-	38,436
Payments made	<u>(70,855)</u>	<u>(31,767)</u>
Capital leases payable – Ending	<u>\$ 12,208</u>	<u>\$ 83,063</u>

Future minimum payments under capital leases are as follows:

<u>Year- ended June 30,</u>	<u>Amount</u>
2008	\$ <u>12,208</u>

**BRONX LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 7. NOTE PAYABLE

During 2005, the School obtained a promissory note from its affiliate, Lighthouse Academies, for \$230,000. The note calls for equal monthly installment payments of \$6,842, including interest of 4.5% per annum. The note matures on June 30, 2008 and is collateralized by the furniture and equipment of the School. As of June 30, 2007 and 2006, the outstanding balance on the note was \$80,393 and \$150,124, respectively.

Future maturities on the notes payable are as follows:

<u>Year-ended June 30,</u>	<u>Amount</u>
2008	\$ 74,489
2009	<u>5,904</u>
	\$ <u>80,393</u>

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are summarized as follows:

	<u>07/01/06</u>	<u>Additions</u>	<u>Released for operation</u>	<u>06/30/07</u>
Educational services	\$ 16,904	\$160,000	(\$ 141,869)	\$ 35,035

In 2006, the School received a restricted grant from its affiliate, Lighthouse Academies, in the amount of \$79,062. In addition, during 2007, the School also received restrictive grants from Lighthouse Academies for \$110,000 and \$50,000. The grants are passed through funds received from various foundations for the benefit of the School. The unspent funds as of June 30, 2007, are scheduled to be spent on program related expenses.

NOTE 9. MANAGEMENT FEES

The School has contracted the management of certain academic and business operations to Lighthouse Academies. The contract, which expires June 30, 2009, calls for annual management fee payments of \$65,000, subject to recognition upon a 50% increase over the projected minimum enrollment in the initial term. Travel and other direct expenses are also reimbursed to Lighthouse Academies. For the year ended June 30, 2007 and 2006, management fees and reimbursed expenses totaled \$68,514 and \$79,523, respectively.

BRONX LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 10. RETIREMENT PLAN

The School has a 401(k) Plan for employees who are at least 21 years old and have completed one month of service. The eligibility requirement is waived for all employees hired as of September 1, 2004. Matching contributions are discretionary each plan year. In order for an employee to receive an allocation he or she must have deferred compensation and be employed on the last day of the plan year (December 31). Employer contributions made to the plan is fully vested in three years. For the year ended June 30, 2007 and 2006, there were no employer contributions.

NOTE 11. IN-KIND DONATIONS

New York City Department of Education donates space to the School for the purpose set forth in the School's Charter. The agreement commenced on July 1, 2005 and terminates in one year or upon the expiration/termination of the School's charter or upon expiration/termination of the lease in the event that the School is located in a leased premise, whichever is earlier. The agreement may be extended by a written agreement signed by the parties. The agreement was renewed for 2007. The annual fee for the use of the dedicated space is \$1. Management estimates the fair market value for the space is \$585,000 in 2007 and \$125,000 in 2006. The donated services have been reflected in the accompanying statements of activities.

The School also received donated textbooks throughout the year. For 2007, the fair market value of donated textbooks was \$21,605. There were no donated textbooks in 2006.

NOTE 12. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions, which from time to time exceed the Federal Depository Insurance Coverage (FDIC) limit.

Concentration of risk also exists between the School and the New York City Department of Education. The School receives a significant portion of its funding from New York City Department of Education in the form of student enrollment fees.

NOTE 13. RELATED PARTY

- A) The School has a management fee arrangement with its affiliate, Lighthouse Academies, to provide educational and business services (See Note 9).
- B) The School has entered into a loan agreement with its affiliate, Lighthouse Academies, in the amount of \$230,000 (see Note 7).
- C) The School has entered into several capital lease arrangements with its affiliate, Lighthouse Academies, to provide furniture and equipments for its operation (see Note 6).

BRONX LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 13. RELATED PARTY (continued)

- D) The School was awarded several grants from its affiliate, Lighthouse Academies, to pay for certain education expenses. As of June 30, 2007 and 2006, Lighthouse Academies owes the School \$ 36,815 and \$60,521, respectively (see Note 4).

NOTE 14. LINE OF CREDIT

The School has an available line of credit for \$250,000 from a financial institution. The line of credit is payable upon demand with an interest rate determined by the bank's prime rate. There was no outstanding balance as of June 30, 2007 and June 30, 2006.

Tempesta & Farrell, P.C.

Certified Public Accountants

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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 Directors
Bronx Lighthouse Charter School
Bronx, New York

We have audited the financial statements of Bronx Lighthouse Charter School ("the School") as of and for the year ended June 30, 2007, and have issued our report thereon dated September 25, 2007. 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 audits, we considered the 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 the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Tempeda + Farrell, P.C.

New York, New York
September 25, 2007