

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

FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES BRONX COMMUNITY CHARTER SCHOOL

We have audited the accompanying statements of financial position of Bronx Community Charter School (the "School") (a not-for-profit corporation) as of June 30, 2011 and 2010, and the related statements of activities, 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. The prior period, summarized comparative information has been derived from the School's 2010 financial statements and, in our report dated September 15, 2010, we expressed an unqualified opinion on those financial statements.

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 audits 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 the School as of June 30, 2011 and 2010, and the changes in its net assets and its 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 15, 2011 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 on 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 read in conjunction with this report in considering the results of our audit.


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

New York, New York
September 15, 2011

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

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,032,581	\$ 677,920
Accounts receivable	1,737	-
Grants and contracts receivable	26,974	61,715
Prepaid expenses	41,168	46,318
Total current assets	1,102,460	785,953
Property and equipment, net of accumulated depreciation and amortization of \$9,232 and \$3,600, respectively	87,788	10,699
Restricted cash	50,241	40,045
Security deposits	215,657	20,150
TOTAL ASSETS	\$ 1,456,146	\$ 856,847
 LIABILITIES AND UNRESTRICTED NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 59,346	\$ 93,378
Accrued payroll and payroll taxes	203,188	134,484
Total current liabilities	262,534	227,862
Unrestricted net assets	1,193,612	628,985
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$ 1,456,146	\$ 856,847

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,

	2011	2010
Revenue and support:		
State and local per pupil operating revenue	\$ 2,532,646	\$ 1,941,740
Federal grants	75,350	254,294
State and city grants	113,654	29,223
Contribution and grants	131,047	37,861
Special events	14,476	13,316
Donated services	163,466	-
Investment and other income	11,056	5,198
	3,041,695	2,281,632
Expenses:		
Program services		
Regular education	1,811,278	1,395,105
Special education	410,112	276,537
Total program services	2,221,390	1,671,642
Supporting services		
Management and general	228,172	239,480
Fundraising	27,506	36,570
	2,477,068	1,947,692
Changes in unrestricted net assets	564,627	333,940
Unrestricted net assets - beginning of year	628,985	295,045
Unrestricted net assets - end of year	\$ 1,193,612	\$ 628,985

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,

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in unrestricted net assets	\$ 564,627	\$ 333,940
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	5,632	3,600
Changes in certain assets and liabilities:		
(Increase) in accounts receivable	(1,737)	-
Decrease (Increase) in grants and contracts receivable	34,741	(30,463)
Decrease (Increase) in prepaid expense	5,150	(19,077)
(Increase) in security deposits	(195,507)	-
(Decrease) Increase in accounts payable and accrued expenses	(34,032)	9,860
Increase in accrued payroll and payroll taxes	68,704	32,516
(Decrease) in refundable advances	-	(19,119)
	447,578	311,257
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(82,721)	-
(Increase) in restricted cash	(10,196)	(30,036)
	(92,917)	(30,036)
NET CASH (USED IN) INVESTING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	354,661	281,221
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	677,920	396,699
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,032,581	\$ 677,920

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, 2011 AND 2010

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. 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 175 students in kindergarten through third grade in the 2010-2011 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, 2011 and 2010.

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.

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:

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Unrestricted

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

Temporarily Restricted

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

Permanently Restricted

Permanently restricted net assets are those contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled or otherwise removed by actions of the School. The income derived from these permanently restricted funds is usually classified as unrestricted and can be used for the general purpose of the School.

The School has no temporarily or permanently restricted net assets at June 30, 2011 and 2010.

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, 2011 AND 2010

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. Maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding, whereas the government agency retains legal title to the long lived asset is expensed as incurred. Depreciation and amortization is provided on the straight line method over the estimated useful lives as follows:

Computer equipment	5 years
Furniture and fixtures	7 years

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.

Reclassifications

Certain 2010 accounts have been reclassified to conform to the 2011 financial statement presentation. The reclassifications have no effect on 2010 total assets, liabilities, net assets and change in net assets.

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

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

NOTE 3 - FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly including inputs in markets that are not considered to be active.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The primary uses of fair value measures in the School's financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of investments.

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

The School had no investments at June 30, 2011 and 2010.

Realized gain on sale of investments for the years ended June 30, 2011 and 2010 amounted to \$2,316 and -0-, respectively:

NOTE 4 - PROPERTY AND EQUIPMENT

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

	2011	2010
Computer equipment	\$ 16,259	\$ 12,809
Furniture and fixture	13,722	1,490
Construction in progress	67,039	-
	97,020	14,299
Less: Accumulated depreciation and amortization	9,232	3,600
	\$ 87,788	\$ 10,699

Depreciation and amortization expense was \$5,632 and \$3,600 for the years ended June 30, 2011 and June 30, 2010, respectively.

Construction in progress consists of architect fees and other soft costs associated with the development of permanent school facilities.

NOTE 5 - COMMITMENTS

The School was obligated under a non-cancelable operating sublease for office and classroom space that expired June 30, 2011. In November 2010, the School and the Sublandlord mutually agreed to extend the sublease for a period of one year through June 30, 2012.

In August 2011, the School entered into a non-cancelable operating sublease for additional classroom space for 10 months beginning September 1, 2011 through June 30, 2012.

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 5 - COMMITMENTS (Continued)

On May 18, 2011 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. The lease commences on July 1, 2012 and expires on June 30, 2027, with a renewal option for an additional fifteen years through June 30, 2042. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes and other operating expenses. The lease provides for a landlord contribution allowance of \$1,800,000 which will be applied solely to the hard costs associated with the build out work in the Lobby, 3rd and 4th floors and the roof.

The future minimum lease payments are as follows:

	<u>Amount</u>
For the year ending	
June 30, 2012	\$ 238,765
2013	782,030
2014	782,030
2015	782,030
2016	782,030
Thereafter	9,695,583
	<u>\$ 13,062,468</u>

Rent expense was \$128,765 for the years ended June 30, 2011 and June 30, 2010, respectively.

NOTE 6 - 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 7 - 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, 2011 AND 2010

NOTE 8 - 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 \$163,466 and \$-0- for the years ended June 30, 2011 and June 30, 2010, respectively.

NOTE 9 - 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 10 - 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 \$32,707 and \$29,132 for the years ended June 30, 2011 and 2010, respectively. In addition, the amount charged to operations for administrative fees under the plan amounted to \$3,075 and \$2,064 for the years ended June 30, 2011 and 2010, respectively.

NOTE 11 - SUBSEQUENT EVENTS

The School has evaluated its subsequent events through September 15, 2011, the date that the accompanying financial statements were issued. The School has no material events requiring disclosure.

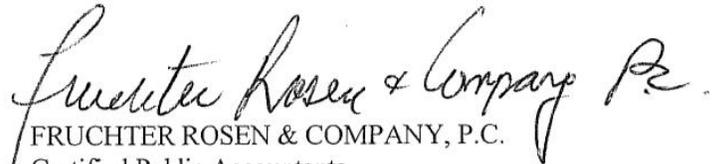
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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

TO THE BOARD OF TRUSTEES
BRONX COMMUNITY CHARTER SCHOOL

Our report on our audits of the basic financial statements of Bronx Community Charter School (a not-for-profit corporation) as of June 30, 2011 and 2010, appears on Page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses 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 as a whole.


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

New York, New York
September 15, 2011

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

	2011						2010
	Program Services			Management and General	Fundraising	Total	Total
	Regular Education	Special Education	Total				
Salaries and wages	\$ 1,115,295	\$ 258,875	\$ 1,374,170	\$ 134,006	\$ 14,619	\$ 1,522,795	\$ 1,244,911
Payroll taxes and employee benefits	223,606	51,861	275,467	26,852	2,901	305,220	233,956
Consultants - educational	45,428	5,048	50,476	-	-	50,476	44,621
Consultants - other	2,255	523	2,778	301	-	3,079	7,653
Staff training and development	38,631	8,967	47,598	4,641	506	52,745	40,347
Donated legal services	119,722	27,789	147,511	15,954	-	163,465	-
Audit and accounting fees	-	-	-	18,645	-	18,645	19,311
Travel and entertainment	959	223	1,182	115	13	1,310	1,406
Field trips	4,453	495	4,948	-	-	4,948	2,462
Student food service	3,919	910	4,829	523	-	5,352	8,546
Parent/Student involvement	5,644	1,310	6,954	678	74	7,706	9,087
Books and curriculum	31,733	7,005	38,738	3,832	-	42,570	21,808
Classroom supplies	32,019	3,558	35,577	-	-	35,577	23,764
Student transportation	2,349	545	2,894	313	-	3,207	14,400
Non-capitalized furniture and equipment	3,786	879	4,665	505	-	5,170	12,903
Office expense	9,267	2,151	11,418	1,112	122	12,652	6,091
Equipment lease and maintenance	4,183	971	5,154	503	55	5,712	5,712
Repairs and maintenance	23,756	5,514	29,270	2,853	311	32,434	34,354
Telephone and internet service	3,412	792	4,204	410	45	4,659	11,762
Postage and delivery	3,466	805	4,271	417	45	4,733	5,051
Insurance	25,061	5,817	30,878	3,011	328	34,217	32,921
Facility expense	102,786	23,858	126,644	12,350	1,347	140,341	139,471
Information technology	5,092	1,182	6,274	612	67	6,953	14,754
Fundraising expense	-	-	-	-	7,015	7,015	6,125
Depreciation and amortization	4,125	957	5,082	496	54	5,632	3,600
Miscellaneous	331	77	408	43	4	455	2,676
Total	\$ 1,811,278	\$ 410,112	\$ 2,221,390	\$ 228,172	\$ 27,506	\$ 2,477,068	\$ 1,947,692

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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 TRUSTEES
BRONX COMMUNITY CHARTER SCHOOL

We have audited the financial statements of Bronx Community Charter School (“the School”) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 15, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, 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 *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.

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 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.

TO THE BOARD OF TRUSTEES
BRONX COMMUNITY CHARTER SCHOOL

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*.

We noted certain matters that we reported to the management of the School in a separate letter dated September 15, 2011.

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


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

New York, New York
September 15, 2011

BRONX COMMUNITY CHARTER SCHOOL

MANAGEMENT LETTER

JUNE 30, 2011

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

TEL: (212) 957-3600
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September 15, 2011

Audit Committee of the Board of Trustees
Bronx Community Charter School
2348 Webster Avenue
Bronx, NY 10458

In planning and performing our audit of the financial statements of Bronx Community Charter School (the "School") as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing 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. 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Exhibits I accompanying this letter summarizes observations for the year ended June 30, 2011 that we determined did not constitute a significant deficiencies or material weaknesses. Exhibit II summarizes corrective actions taken by the School during the year ended June 30, 2011 on prior year observations. Management's responses to the observations have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Audit Committee of the Board of Trustees
Bronx Community Charter School

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

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


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

New York, New York
September 15, 2011

BRONX COMMUNITY CHARTER SCHOOL
MANAGEMENT LETTER
JUNE 30, 2011

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**BRONX COMMUNITY CHARTER SCHOOL
MANAGEMENT LETTER**

EXHIBIT I – CURRENT YEAR OBSERVATION

A. ESCROW ACCOUNT FOR DISSOLUTION

Observation

We noted that the School maintained a balance of \$50,241 in the Escrow account as of June 30, 2011. Under the provisions of the Department of Education of the City of New York, the School should set aside as a dissolution reserve and earmark the funds in the books and records to pay for legal and audit expenses that would be associated with a dissolution should it occur. Existing schools should maintain a minimum balance of \$70,000 in the escrow account by the end of their third year of operations.

Recommendation

The School should increase the balance in their separate interest bearing escrow account to at least \$70,000 to pay for legal and audit expenses associated with dissolution should it occur. The School may withdraw the interest earned.

Management’s Response

Twenty thousand dollars was deposited into the Escrow account on September 20, 2011. This brings the balance in the account to \$70,272.

B. GENERAL LEDGER MAINTENANCE AND ACCOUNT ANALYSIS

Observation

Several adjustments were made throughout the audit process to tie general ledger accounts with the various backup schedules, primarily related to government cost-reimbursement grants expense tagging. This prolonged the completion of the audit. These issues could have been minimized had accounts been analyzed and compared with the general ledger on a regular basis during the fiscal year. These grants or contracts require the School to properly account for and monitor the grant funds to ensure that such funds are spent according to their intended purpose and that similar expenditures are not being “double-claimed.”

Recommendation

Accounts should be analyzed and reconciled with the general ledger on a monthly or quarterly basis. Periodic reconciliations will help the School to detect and correct errors in the general ledger on a timely basis. Grant management procedures should be performed on a monthly basis to ensure that grant billings are adequately supported, recorded and posted in the accounting software for each funding source, and reflect the terms and conditions of the grant.

Management’s response

A monthly closing schedule has been established for this and all future fiscal years. The closing process which consists of all bank and cash reconciliation now includes reconciling all revenue accounts separate from the bank reconciliation. The monthly closing will also serve as a preparation for the grants billing process. Monthly closings will be reviewed with the Finance Director by the Co-Director. A quarterly review of all monthly closings, which will highlight cash and revenue reconciliation, will be reviewed with the Finance Director and the Finance Committee. A secondary reconciliation on the revenue accounts will occur and be placed into that month’s reconciliation binder, when the grant is being billed. The Accounting Software will be updated that will to include the module for the Grant Management.

**BRONX COMMUNITY CHARTER SCHOOL
MANAGEMENT LETTER**

C. FINANCIAL REPORTING FOR THE BOARD OF TRUSTEES

Observation

We noted that management was not providing complete and timely financial reports to the Finance Committee/ Board of Trustees on a monthly or quarterly basis.

Recommendation

The Business Manager, after Board Treasurer review, should circulate the following information to the Finance Committee/Board of Trustees on a monthly or quarterly basis:

- Statement of Financial Position (Balance Sheet)
- Operating Budget versus Actual Comparison Report including revenues and expenses for the month/quarter to date and year to date, incorporating a variance analysis explaining variances in excess of 10% from the actual to the originally Board approved budget.
- Capital Budget versus Actual Comparison Report including explanation of variances.
- Projected monthly cash flows highlighting any periods of difficult cash flows.

Management's response

A more aggressive approach has been made for scheduling review dates of all Financials, statements and highlighted reconciliations such as Cash and Revenue with the Finance Committee. Quarterly meetings began late last fiscal year to review financials. At these meetings the Finance Director presents quarterly statements to the Finance Committee.

**BRONX COMMUNITY CHARTER SCHOOL
MANAGEMENT LETTER**

EXHIBIT II – CORRECTIVE ACTIONS TAKEN ON PRIOR YEAR OBSERVATIONS

In conjunction with performing the audit of the School’s financial statements for the year ended June 30, 2011, we followed up on the status of implementation of audit recommendations made for the year ended June 30, 2010. The status update on those matters is summarized below.

D. TEST OF CREDIT CARD EXPENSES

Observation

We reviewed seven monthly statements of the corporate credit cards issued to the Co-Executive Directors and noted the following:

- Two monthly statements where significant charges totaling approximately \$4,700 were not supported by backup documentation or receipts. Three monthly statements where immaterial charges totaling less than \$300 were not supported by backup documentation or receipts.
- Four monthly statements did not contain written documentation supporting approval for payment by an independent person serving on the governing body. The Co-Executive Directors approve each others’ credit card statement charges.

Recommendation

The School should support all credit card charges with adequately supported receipts and invoices. The School should establish a process requiring written evidence of approval of the Co-Executive Directors’ credit card charges by a person on the Board of Trustees (e.g. treasurer or a finance committee member).

Corrective Action taken

During our 2011 audit, we tested four months of back receipts for credit card statements and noted minimal amount of receipts missing. In addition, we noted that the School significantly decreased their use of credit cards during the year ended June 30, 2011.