



IRA L. SCHALL, CPA  
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# **THE ETHICAL COMMUNITY CHARTER SCHOOL**

**Audited Financial Statements In Accordance  
With Government Auditing Standards**

**June 30, 2011**

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# THE ETHICAL COMMUNITY CHARTER SCHOOL

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## INDEPENDENT AUDITORS' REPORT

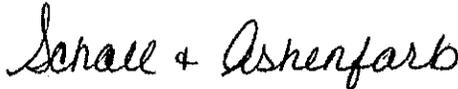
To the Board of Trustees of  
The Ethical Community Charter School

We have audited the accompanying statement of financial position of The Ethical Community Charter School (the "School") as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. The prior-year summarized comparative information has been derived from the School's June 30, 2010 financial statements and, in our report dated October 19, 2010 we expressed an unqualified opinion on those financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 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 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.

  
Schall & Ashenfarb  
Certified Public Accountants, LLC

October 24, 2011

**THE ETHICAL COMMUNITY CHARTER SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2011**  
(With comparative totals for June 30, 2010)

	<u>6/30/11</u>	<u>6/30/10 *</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 2c and 2d)	\$871,265	\$422,830
Restricted cash (Note 3)	25,076	25,000
Contributions receivable (Notes 2b and 4)	196,482	497,950
Grant receivable - New York City (Notes 2b and 5)	28,235	1,278
Government grants receivable (Notes 2b and 9)	24,436	0
Prepaid expenses	19,483	63,593
Fixed assets (net of accumulated depreciation - Notes 2f and 6)	<u>236,640</u>	<u>219,192</u>
 Total assets	 <u><u>\$1,401,617</u></u>	 <u><u>\$1,229,843</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	<u>\$211,068</u>	<u>\$184,358</u>
Total liabilities	<u>211,068</u>	<u>184,358</u>
Net assets: (Note 2a)		
Unrestricted	994,067	547,535
Temporarily restricted (Note 7)	<u>196,482</u>	<u>497,950</u>
Total net assets	<u>1,190,549</u>	<u>1,045,485</u>
 Total liabilities and net assets	 <u><u>\$1,401,617</u></u>	 <u><u>\$1,229,843</u></u>

\* Reclassified for comparative purposes.

*The attached notes and auditors' report are an integral part of these financial statements.*

**THE ETHICAL COMMUNITY CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
(With comparative totals for the year ended June 30, 2010)

	Unrestricted	Temporarily Restricted	6/30/11	6/30/10
<b>Public support and revenue:</b>				
Public school district: (Notes 2b and 5)				
Revenue - resident student enrollment	\$2,141,324	\$0	\$2,141,324	\$1,456,951
Revenue - students with special education services	89,703	0	89,703	76,196
Subtotal public school district	2,231,027	0	2,231,027	1,533,147
Government grants (Note 2b)	287,852	0	287,852	611,312
Contributions (Note 2b)	1,750	0	1,750	916,457
Student fees	1,615	0	1,615	1,930
Interest income	357	0	357	0
In-kind contributions (Note 2g)	267,624	0	267,624	267,624
Net assets released from restrictions	301,468	(301,468)	0	0
Total public support and revenue	3,091,693	(301,468)	2,790,225	3,330,470
<b>Expenses:</b>				
Program expenses	2,231,977	0	2,231,977	1,594,790
<b>Supporting services:</b>				
Management and general	407,139	0	407,139	676,137
Fundraising	6,045	0	6,045	14,058
Total supporting services	413,184	0	413,184	690,195
Total expenses	2,645,161	0	2,645,161	2,284,985
Change in net assets	446,532	(301,468)	145,064	1,045,485
Net assets - beginning	547,535	497,950	1,045,485	0
Net assets - ending	\$994,067	\$196,482	\$1,190,549	\$1,045,485

*The attached notes and auditors' report are an integral part of these financial statements.*

**THE ETHICAL COMMUNITY CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011**

(With comparative totals for the year ended June 30, 2010)

	Supporting Services			Total Expenses 6/30/11	Total Expenses 6/30/10
	Program Services	Management and General	Fundraising		
Salaries	\$1,306,046	\$166,233	\$5,000	\$171,233	\$1,226,400
Substitute teachers	41,051	0	0	0	36,090
Payroll taxes and employee benefits	266,731	\$39,546	\$1,045	40,591	213,259
<b>Total personnel costs</b>	<b>1,613,828</b>	<b>205,779</b>	<b>6,045</b>	<b>211,824</b>	<b>1,475,749</b>
Occupancy (in-kind) (Note 2g)	214,099	53,525	0	53,525	267,624
Professional fees	40,491	94,101	0	94,101	119,222
Classroom materials and supplies	91,360	623	0	623	112,298
After school programs	87,874	0	0	0	85,082
Recruitment	2,691	1,400	0	1,400	63,836
Staff development	103,324	14,979	0	14,979	44,750
Conference and subscription	914	1,112	0	1,112	36,889
Office expenses	23,727	25,703	0	25,703	33,826
Depreciation	34,824 *	8,706	0	8,706	19,564
Insurance	16,787	0	0	0	16,988
Telephone	1,317	647	0	647	4,780
Printing and postage	741	564	0	564	4,377
<b>Total other than personnel costs</b>	<b>618,149</b>	<b>201,360</b>	<b>0</b>	<b>201,360</b>	<b>809,236</b>
<b>Total expenses</b>	<b>\$2,231,977</b>	<b>\$407,139</b>	<b>\$6,045</b>	<b>\$413,184</b>	<b>\$2,284,985</b>

*The attached notes and auditors' report are an integral part of these financial statements.*

**THE ETHICAL COMMUNITY CHARTER SCHOOL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
(With comparative totals for the year ended June 30, 2010)

	<u>6/30/11</u>	<u>6/30/10 *</u>
Net cash flows from operating activities:		
Change in net assets	\$145,064	\$1,045,485
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	43,530	19,564
(Increase)/decrease in assets:		
Restricted cash	(76)	(25,000)
Contributions receivable	301,468	(497,950)
Grant receivable - New York City	(26,957)	(1,278)
Government grants receivable	(24,436)	0
Prepaid expenses	44,110	(63,593)
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	26,710	184,358
Total adjustments	<u>364,349</u>	<u>(383,899)</u>
Net cash provided by operating activities	<u>509,413</u>	<u>661,586</u>
Net cash flows from investment activities:		
Purchase of property and equipment	<u>(60,978)</u>	<u>(238,756)</u>
Net cash used for investing activities	<u>(60,978)</u>	<u>(238,756)</u>
Net increase in cash and cash equivalents	448,435	422,830
Cash and cash equivalents, beginning	<u>422,830</u>	<u>0</u>
Cash and cash equivalents, ending	<u>\$871,265</u>	<u>\$422,830</u>
Supplemental disclosures:		
Interest paid - \$0		
Taxes paid - \$0		

\* Reclassified for comparative purposes.

*The attached notes and auditors' report are an integral part of these financial statements.*

**THE ETHICAL COMMUNITY CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Note 1 - Organization and Nature of Activities**

The Ethical Community Charter School (the "School"), located in Brooklyn, New York, is a not-for-profit education corporation chartered by the Regents of the University of the State of New York. The School provides a full range of educational services appropriate for kindergarten, first and second grade levels. The School completed the 2010-2011 fiscal year, its second year of operations, with an average enrollment of approximately 158 students. The School is a publicly funded, privately managed school, which is independent of the New York City Department of Education ("NYCDOE").

On January 15, 2008, the School was granted a provisional charter by the University of the State of New York, Education Department for a term up through and including January 14, 2013. Such provisional charter may be extended upon application for a term of up to five years in accordance with the provisions of Article 56 of the Education Law.

The School's mission is a safe and caring community where ethics, service, and social justice are the principles that inform every aspect of school life; where teachers lead and collaborate with students in a culture of rigorous academics and mutual respect; where analytical thinking and creativity are prized over learning by repetition; where children become individuals of integrity, insight, autonomy - and socially productive citizens, workers, leaders.

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. They have not been designated as a private foundation.

**Note 2 - Significant Accounting Policies**

a. Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting.

The School's net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted* - represent those resources for which there are no restrictions by donors as to their use.
- *Temporarily restricted* - represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

- *Permanently restricted* – accounts for activity restricted by donors that must remain intact in perpetuity. The School did not have any permanently restricted net assets at June 30, 2011.

b. Revenue Recognition

Program revenues are recognized based on rates established by the School's funding sources and the amount realizable on the accrual basis in the period during which services are provided. Contributions are recorded as revenue upon receipt of cash or unconditional pledges, and are considered available for unrestricted use, unless specifically restricted by the donor, in which case they are recorded as temporarily restricted. Government grants that have traits more similar to contracts for service are treated as exchange transactions and are recorded as income when earned.

c. Cash and Cash Equivalents

Checking and money market accounts with local banks and highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents for purposes of the accompanying statement of cash flows.

d. Significant Concentrations

Financial instruments which potentially subject the School to concentration of credit risk consist of cash and money market accounts. The School places its temporary cash and money market accounts with financial institutions that they deem to be credit-worthy, which at times, may exceed federally insured limits. While at year end the School had material uninsured balances, management feels they have little risk and has not experienced any losses.

The School is dependent upon grants from NYCDOE to carry out its operations. For the year ended June 30, 2011, approximately 89% of the School's total support and revenue, excluding in-kind contributions, was realized from NYCDOE.

e. Allowance for Uncollectible Receivables

Management has not established a reserve for uncollectible receivables because they deem all receivables to be fully collected based on specific identification and analysis. Write-offs will be recorded as expense in the year they are deemed to be uncollectible.

f. Fixed Assets and Capitalization Policies

Fixed assets are stated at cost or at the fair market value at the date of gift, if donated. The School capitalizes fixed assets in excess of pre-defined amounts and which have a useful life of more than one year. Depreciation was computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

Office equipment – 5 years

Computer equipment – 3 years

Furniture and fixtures – 7 years

Leasehold improvements – *Life of lease not to exceed 10 years*

g. Contributed Facilities

The School's operations are located in a facility provided by NYCDOE, at a charge of \$1.00 per annum. As such, the School has recorded the estimated fair market value of this space as revenue and expense in the accompanying statements of activities and functional expenses.

h. Donated Services

Generally accepted accounting principles requires donated services to be recognized in circumstances where those services create or enhance non-financial assets ore require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind.

i. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

j. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

k. Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the period from inception to June 30, 2010, from which the summarized information was derived.

Certain reclassifications have been made to conform with the current presentation.

l. Accounting for Uncertainty in Income Taxes

The School has adopted the provisions of FASB ASC 740, *Income Taxes*, which applies to positions taken or expected to be taken in a tax return. Organizations are required to recognize the effects of tax positions if they are more likely than not of being sustained. The School does not believe its financial statements include any uncertain tax positions.

m. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through **TBD**, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

**Note 3 - Restricted Cash**

NYCDOE requires the School to establish an escrow of \$30,000 by the end of year two of operations. In the event of termination of the charter, whether prematurely or otherwise, the School will follow proscribed procedures consistent with New York State Education law in its use of this cash.

**Note 4 - Contributions Receivable**

The School was created through a pledge from The Ethical Community Charter School Foundation (the "Foundation") which is an affiliate by nature of common board members. At June 30, 2011, contributions receivable of \$196,482 was due from the Foundation within one year.

**Note 5 - Grant Receivable - New York City**

Grant receivable consist of revenue earned based on contracted amounts that exceed advances received. The following summarizes that activity:

Amount due from to New York City - 2009/2010		\$1,278
Funding based on allowable FTE's	\$2,231,027	
Advances received - fiscal year 2010-2011	<u>(2,204,070)</u>	
Amount due from New York City - 2010/2011		<u>26,957</u>
Grants Receivable - New York City		<u>\$28,235</u>

**Note 6 - Fixed Assets**

At June 30, 2011, fixed assets consisted of the following:

Computer and equipment	\$49,004
Furniture	130,911
Leasehold improvements	<u>119,818</u>
Total	299,733
Less: accumulated depreciation	<u>(63,093)</u>
Total fixed assets, net	<u>\$236,640</u>

**Note 7- Temporarily Restricted Net Assets**

Net assets of \$196,482 were restricted for time. (See Note 4.)

**Note 8 - Retirement Plan**

Effective September 1, 2009, the School sponsors a 401(k) profit sharing plan. Employees that have completed at least 1,000 hours and are employed on the last day of the plan year are eligible to participate. Eligible employees may designate a percentage of their salaries, subject to regulatory limits, to be contributed to the plan on a pre-tax basis. The School contributes a contribution equal to 3% of pay to all participants who have satisfied the eligibility provisions of the plan. Employees enter the plan on January

1<sup>st</sup> or July 1<sup>st</sup> following attainment of age 21 and one year of service (1000 hours). For the year ended June 30, 2011, the employer share of the plan expense was approximately \$26,000.

**Note 9 - Commitments and Contingencies**

Government contracts are subject to audit by the grantor. Management does not believe the results of any such audits will result in disallowed costs that would be material to the financial statements and has not established any reserve for that possibility. Any disallowances as a result of those audits will be expensed in the year notified.

**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  
The Ethical Community Charter School

We have audited the financial statements of The Ethical Community Charter School (the "School") as of June 30, 2011, and have issued our report thereon dated October 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the School is responsible for establishing and maintaining effective 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 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.

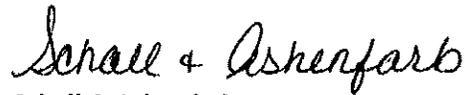
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not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

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 management of the School in a separate letter dated October 24, 2011.

This report is intended solely for the information and use of management, others within the School, and is not intended to be and should not be used by anyone other than these specified parties.



Schall & Ashenfarb  
Certified Public Accountants, LLC

October 24, 2011

**THE ETHICAL COMMUNITY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2011**

Current Year:

None

Prior Year:

**10-1 -** Significant Adjustments

Audit adjustments made did not rise to a level considered to be a significant deficiency.

**MANAGEMENT LETTER COMMENTS**

To Board of Directors of  
The Ethical Community Charter School

In planning and performing our audit of the financial statements of The Ethical Community Charter School (the "School") 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 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 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 that we consider to be material weaknesses, as defined above. However, we identified certain matters involving internal controls and their operations that we feel may be useful information for management.

**I - Current year comments**

**Submission of Annual School Year Full-Time Equivalent Reconciliation Report**

The School is required to submit an annual full-time equivalent reconciliation report to the New York City Department of Education by August 1, 2011. This report was submitted on September 2, 2011. We recommend a tighter monitoring process to ensure this report is timely submitted to the NYCDOE by the due date.

The following represent significant adjustments made during the audit process:

- (1) An adjustment of approximately \$27,000 to record New York City Department of Education grant income.

- (2) An adjustment of approximately \$108,000 to reduce the salaries and payroll taxes to reflect an accrual for the month of July 2011.

We recommend that the financial consultants review the books at the end of the year and record all adjustments.

#### Escrow Account

The New York City Department of Education requires charter schools to set up an escrow account. By April 1 of the second year of operations, the School is required to have a separate bank account with a minimum of \$30,000. By April 1 of the third year of operations, the balance in the escrow must be at least \$70,000.

As of June 30, 2011, the second year of the School's operations, a separate account was established that contained approximately \$25,000, which is \$5,000 less than the minimum amount required. We have been informed that in September 2011, the School transferred funds to the escrow account to bring it to a balance of \$70,000, representing the required amount for a school that is in its third year of operations. We recommend the School monitor that this balance remain as of April 1, 2012. We will report on this matter in our next management letter.

#### Check Processing

The School's authorized signers include the Principal and a board member. The current policy allows the Principal to sign checks less than \$500 and to obtain a second signature for those checks greater than \$500. However, we noted four instances where checks cleared the bank without any signature. Two of those checks were greater than \$500, and the other two less than \$500.

We recommend that before checks are processed for mailing, someone independent of the cash disbursements process, review the checks for proper signatures in compliance with the policy above.

#### Expense Documentation-Telephone Vendor Payments

In the course of our field work, we noted three payments in excess of \$500 that were completed by phone. We recommend that the finance director (who does not have check signing authority) initiate a check request form that is signed or initialed by one of the authorized signers to evidence approval of the expense. We have been informed by the finance director that this procedure will be put in place. We will report on this in our next management letter.

#### Payroll

The School is required to document that each employee is authorized to work in the United States by reviewing specific documentation and completing and signing a Form I-9, Employment Eligibility Verification. We noted that the I-9 forms in the personnel files were not signed. We recommend the finance director examine proper documentation in personnel files and sign off on a completed Form I-9's for all employees. We have been informed by the new finance director that this is in process and we will report on this in our next management letter.

## **II - Follow up of prior year comments**

#### Government grants

In our prior year's management letter, we noted the School received funding, under cost reimbursement government grants, by submitting a voucher claim that indicates they spent money that

had been pre-approved under terms of the grant. It is important to be able to provide a trail of which expenses have been claimed for reimbursement from each funding source.

We recommended that the financial consultant track all restricted income and expenses in its own class and generate a report from the accounting system to be used for submitting vouchers. This will provide a stronger trail within the books to provide support of expenses claimed and reduce the risk of disallowances by the government under grant agreements.

***Follow up for June 30, 2011:*** This condition still existed. We noted approximately \$23,000 of federal funds received in fiscal year 2011 were not tracked to expenses. As such we repeat our recommendation above.

#### Timesheets

In our prior year's management letter, we noted that teachers were not required to sign a timesheet to document their attendance in school. We recommended the School have a process in place where teachers are required to sign in and thereby document their time worked in the School. The attendance sheets should be maintained by the office manager, with the principal signing off as evidence her approval.

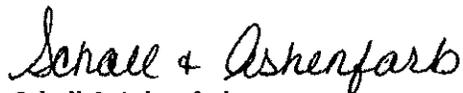
***Follow up for June 30, 2011:*** We are pleased to report improvement in this matter. We noted teacher timesheets beginning with the middle of October 2010 and they are maintained by the office manager. However, we repeat our recommendation that the principal sign off on the timesheet as evidence of her approval.

#### Board Governance Matters For Form 990

In our prior year's management letter, we informed you about board governance matters related to the compensation of management, record retention and document destruction policies and travel reimbursement policies. We noted there were draft resolutions of executive compensation policy, documentation retention and destruction policy and travel and expense reimbursement policy for board review. We did not note the board's approval of these policies as of June 30, 2011. As such we repeat our recommendations for the board to approve these policies.

***Follow up for June 30, 2011:*** We did not note the board's approval of these policies as of June 30, 2011. As such we repeat our recommendations for the board to approve these policies.

This communication is intended solely for the information and use of management, board of directors, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

  
Schall & Ashenfarb  
Certified Public Accountants, LLC

October 24, 2011



The Ethical Community Charter School—New York

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October 31.2011

To whom this may concern,

We have read our auditor's Management letter report and are in the process of following their recommendations.

Robert Holczer

Finance Director