

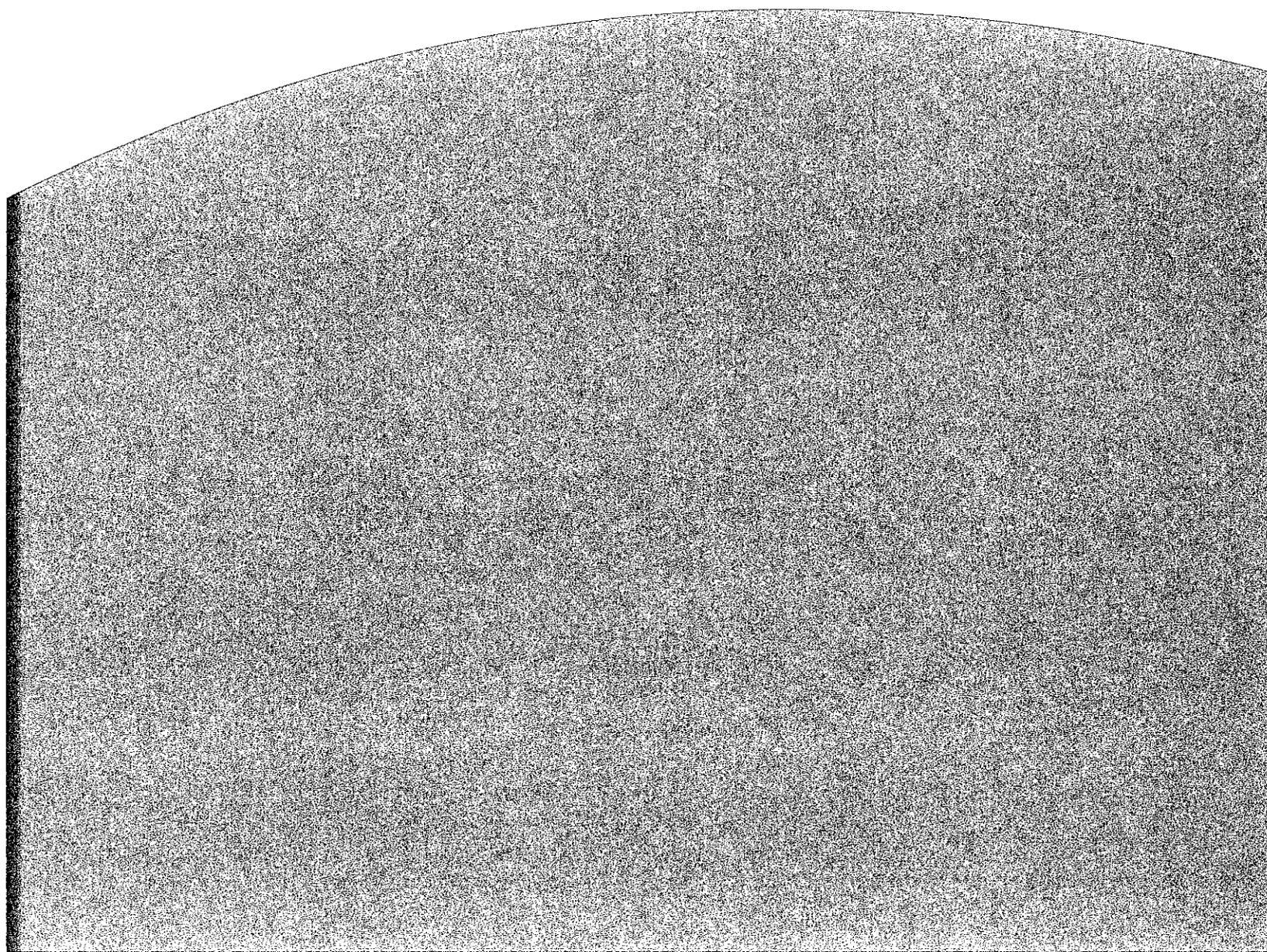
McGladrey & Pullen

Certified Public Accountants

New York Center for Autism Charter School

Financial Report

June 30, 2009



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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Trustees
New York Center for Autism Charter School
New York, New York

We have audited the accompanying statements of financial position of New York Center for Autism Charter School (the "Charter School") as of June 30, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year's summarized comparative information has been derived from the Charter School's June 30, 2008 financial statements and, in our report, dated October 16, 2008, 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 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 the Charter School as of June 30, 2009 and 2008, 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 October 23, 2009, on our consideration of the Charter School's internal control over financial reporting and 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.

McGladrey & Pullen, LLP

New York, New York
October 23, 2009

New York Center for Autism Charter School

Statements of Financial Position
June 30, 2009 and 2008

	2009	2008
ASSETS		
Cash and Cash Equivalents	\$ 453,744	\$ 925,410
Investment, at fair value	630,345	-
Pledge Receivable, net	-	2,150,407
Grant and Tuition Receivables	26,683	60,647
Prepaid Expenses and Other Assets	25,291	7,239
Property and Equipment, net	<u>133,509</u>	<u>241,585</u>
Total assets	<u><u>\$ 1,269,572</u></u>	<u><u>\$ 3,385,288</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 102,369	\$ 90,158
Capital lease obligation	<u>6,490</u>	<u>11,121</u>
Total liabilities	<u>108,859</u>	<u>101,279</u>
Net Assets:		
Unrestricted	1,154,913	2,051,765
Temporarily restricted	<u>5,800</u>	<u>1,232,244</u>
Total net assets	<u>1,160,713</u>	<u>3,284,009</u>
Total liabilities and net assets	<u><u>\$ 1,269,572</u></u>	<u><u>\$ 3,385,288</u></u>

See Notes to Financial Statements.

New York Center for Autism Charter School

Statements of Activities

(with summarized comparative financial information for the year ended June 30, 2008)

Years Ended June 30, 2009 and 2008

	2009		2008	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Operating Revenue:				
State and local per pupil operating revenue	\$ 2,254,991	\$ -	\$ 2,254,991	\$ 2,043,232
State and local government grants	-	-	-	197,675
Total operating revenue	2,254,991	-	2,254,991	2,240,907
Expenses:				
Program services - regular education	1,932,166	-	1,932,166	1,741,374
Supporting Services:				
General and administrative	376,179	-	376,179	357,276
Fund-raising	54,394	-	54,394	47,324
Total supporting services	430,573	-	430,573	404,600
Total operating expenses	2,362,739	-	2,362,739	2,145,974
Net operating (deficit) revenue from school operations	(107,748)	-	(107,748)	94,933
Contributions	102,549	18,300	120,849	316,544
Other Income	14,010	-	14,010	7,880
Provision for Uncollectible Pledge	(993,720)	(1,156,687)	(2,150,407)	-
Net Assets Released From Restrictions - satisfaction of purpose and time restrictions	88,057	(88,057)	-	-
Change in net assets	(896,852)	(1,226,444)	(2,123,296)	419,357
Net Assets:				
Beginning	2,051,765	1,232,244	3,284,009	2,864,652
Ending	<u>\$ 1,154,913</u>	<u>\$ 5,800</u>	<u>\$ 1,160,713</u>	<u>\$ 3,284,009</u>

See Notes to Financial Statements.

New York Center for Autism Charter School

Statements of Functional Expenses

(with summarized comparative financial information for the year ended June 30, 2008)

Years Ended June 30, 2009 and 2008

	2009				2008	
	Program Services - Regular Education	General and Administrative	Fund- Raising	Total Supporting Services	Total	Total
Salaries and wages	\$ 1,369,150	\$ 207,490	\$ 40,608	\$ 248,098	\$ 1,617,248	\$ 1,392,145
Payroll taxes and fringe benefits	326,622	45,051	3,755	48,806	375,428	287,563
Consulting and professional fees	51,530	19,623	-	19,623	71,153	186,057
Accounting fees	-	37,905	-	37,905	37,905	29,251
Legal fees	-	13,425	-	13,425	13,425	-
Classroom and teaching supplies	34,779	-	-	-	34,779	55,996
Staff recruitment and development	2,499	9,719	-	9,719	12,218	13,179
Noncapitalized furniture and equipment	1,050	-	-	-	1,050	1,255
Communications and outreach	14,546	3,750	452	4,202	18,748	18,899
Travel	2,772	283	-	283	3,055	3,713
Office	17,085	8,600	9,579	18,179	35,264	22,846
Insurance	21,186	5,297	-	5,297	26,483	25,035
Depreciation and amortization	89,090	22,273	-	22,273	111,363	106,238
Repairs and maintenance	1,857	464	-	464	2,321	3,797
Loss on disposal of property and equipment	-	2,299	-	2,299	2,299	-
	<u>\$ 1,932,166</u>	<u>\$ 376,179</u>	<u>\$ 54,394</u>	<u>\$ 430,573</u>	<u>\$ 2,362,739</u>	<u>\$ 2,145,974</u>

See Notes to Financial Statements.

New York Center for Autism Charter School

Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities:		
Change in net assets	\$ (2,123,296)	\$ 419,357
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net unrealized gains on investments	(561)	-
Depreciation and amortization	111,363	106,238
Provision for uncollectible pledge	2,150,407	
Loss on disposal of property and equipment	2,299	
Donated computer hardware	(4,000)	(3,448)
Changes in operating assets and liabilities:		
Decrease in pledge receivable, net	-	160,000
Decrease (increase) in grant and tuition receivables	33,964	(26,947)
(Increase) decrease in prepaid expenses and other assets	(18,052)	8,201
Increase (decrease) in accounts payable and accrued expenses	12,211	(43,968)
	<u>164,335</u>	<u>619,433</u>
Net cash provided by operating activities		
Cash Flows From Investing Activities:		
Purchases of property and equipment	(1,586)	(68,975)
Proceeds from maturity of investments	1,245,000	-
Purchases of investments	(1,874,784)	-
	<u>(631,370)</u>	<u>(68,975)</u>
Net cash used in investing activities		
Cash Used In Financing Activity - payments made on capital lease obligation		
	<u>(4,631)</u>	<u>(4,437)</u>
Net (decrease) increase in cash and cash equivalents		
	(471,666)	546,021
Cash and Cash Equivalents:		
Beginning	<u>925,410</u>	<u>379,389</u>
Ending	<u>\$ 453,744</u>	<u>\$ 925,410</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 386</u>	<u>\$ 580</u>
Supplemental Schedule of Noncash Investing Activity:		
Donated property and equipment	<u>\$ 4,000</u>	<u>\$ 3,448</u>

See Notes to Financial Statements.

New York Center for Autism Charter School

Notes to Financial Statements

Note 1. Principal Business Activity and Summary of Significant Accounting Policies

New York Center for Autism Charter School (the "Charter School") is an educational corporation that commenced operating as a charter school in the borough of Manhattan, New York in July 2005. On April 15, 2005, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. The Charter School is currently in the process of renewing its charter.

The Charter School's mission is to provide individualized, scientifically based educational services to children with autism and other pervasive developmental disorders.

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

The financial statements of the Charter School reflect contributions received from the public and other organizations. Contributions, including unconditional promises to give, are recognized as revenue in the period documented or received.

The Charter School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value.

The Charter School received a donated piano and computer hardware amounting to \$4,000 and \$3,448 during fiscal years ended June 30, 2009 and 2008, respectively, which has been included in property and equipment and contributions in the accompanying financial statements.

A number of volunteers have made a contribution of their time to the Charter School to develop its academic program and to serve on its board of trustees. The value of this contributed time is not reflected in these financial statements since it does not meet the criteria for recognition under Statement of Financial Accounting Standards ("SFAS") No. 116, *Accounting for Contributions Received and Contributions Made*.

Revenue from state and local governments resulting from the Charter School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and state grant funds are recorded by the Charter School when expenditures are incurred and billable. Funds received in advance for which expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying statements of financial position.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2008 from which the summarized information was derived.

The Charter School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Charter School has not experienced any losses in such accounts.

New York Center for Autism Charter School

Notes to Financial Statements

Note 1. Principal Business Activity and Summary of Significant Accounting Policies (Continued)

The Charter School considers all highly liquid financial instruments with an original maturity of three months or less to be cash equivalents.

Investments are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized gains and losses resulting from the change in prevailing market value of investments are included in other income in the statements of activities. Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis.

The Charter School capitalizes all purchases of property and equipment in excess of \$500. Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the remaining term of the lease. Property and equipment acquired with certain government contract funds are recorded as expenses pursuant to the terms of the contract.

Fixed assets acquired under capital leases are recorded in property and equipment with corresponding obligations carried in liabilities. The amount capitalized is the lower of the present value of the minimum lease payments or the fair value of the leased asset. Amortization on assets leased under capital leases is recorded on a straight-line basis over the estimated useful life of the asset or the term of the lease, depending on the criteria used to capitalize the lease.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

The costs of providing the various programs and other activities have been summarized on the functional basis in the accompanying statements of functional expenses. Certain costs have been allocated among program and supporting services.

Effective July 1, 2008, the Charter School adopted SFAS No. 157, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles, except for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for which delayed application is permitted until the fiscal year beginning July 1, 2009. SFAS No. 157 applies to all financial instruments that are being measured and reported on a fair value basis. Implementation of SFAS No. 157 had no effect on assets, net assets or change in net assets as of June 30, 2009 or for the year then ended. The adoption of the remaining provisions of SFAS No. 157 is not expected to have a material impact on the Charter School's statement of financial position, statement of activities or cash flows.

As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Charter School uses various methods including market, income and cost approaches. Based on these approaches, the Charter School often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Charter School utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Charter School is required to provide the following information according

New York Center for Autism Charter School

Notes to Financial Statements

Note 1. Principal Business Activity and Summary of Significant Accounting Policies (Continued)

to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal year ended June 30, 2009, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Recently Issued Accounting Pronouncements: The FASB has issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken on a tax return, including positions that the Charter School is exempt from income taxes or not subject to income taxes on unrelated business income. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Charter School presently recognizes income tax positions based on management's estimate of whether it is reasonably possible that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, *Accounting for Contingencies*.

The Charter School has elected to defer the application of FIN 48 in accordance with FASB Staff Position ("FSP") FIN 48-3. This FSP defers the effective date of FIN 48 for nonpublic enterprises included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008. The Charter School will be required to adopt FIN 48 in its 2010 annual financial statements. The provisions of FIN 48 are to be applied to all tax positions upon initial application of this standard. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption.

The cumulative effect of applying the provisions of FIN 48 will be reported as an adjustment to the opening balance of net assets for the fiscal year of adoption. Management has not assessed the impact of FIN 48 on its financial position and change in net assets.

New York Center for Autism Charter School

Notes to Financial Statements

Note 1. Principal Business Activity and Summary of Significant Accounting Policies (Continued)

Subsequent Events: The Charter School evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was October 23, 2009 for these financial statements.

Note 2. Fair Value Measurements

Investments, measured at fair value on a recurring basis, consist of the following at June 30, 2009:

Description	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
United States Treasury Bills	\$ 329,658	\$ -	\$ 329,658	\$ -
Certificates of deposit	300,687	-	300,687	-
Investments	630,345	-	630,345	-
Cash equivalents	274,704	274,704	-	-
	<u>\$ 905,049</u>	<u>\$ 274,704</u>	<u>\$ 630,345</u>	<u>\$ -</u>

Other income includes interest and dividend income of approximately \$12,400 and \$7,200, respectively, and net unrealized gains of \$561 and \$-0-, respectively, for the years ended June 30, 2009 and 2008.

Note 3. Pledge Receivable, Net

In December 2004, New York Center for Autism Research and Education, Inc. ("NYCA") entered into an institutional partnership agreement (the "Partnership Agreement") with the Charter School to support its fiscal operations and development. In addition, the Charter School and NYCA entered into a financial commitment agreement in January 2006 which set forth a schedule of contributions to be made by NYCA during the Charter School's initial charter period. Future payments are reflected at the present value using a 4% discount rate.

New York Center for Autism Charter School

Notes to Financial Statements

Note 3. Pledge Receivable, Net (Continued)

Pledge payments outstanding pertaining to years ended June 30, 2008 and 2007	\$ 1,112,912
Pledge payments due in future periods:	
<u>Year ending June 30,</u>	
2009	584,216
2010	626,056
	<u>2,323,184</u>
Less unamortized discount on pledge receivable	172,777
	<u><u>\$ 2,150,407</u></u>

The Charter School's management recorded a provision amounting to \$2,150,407 for the above pledge receivable due to the uncertainty of its collectability and has reflected it as a provision for uncollectible pledge in the June 30, 2009 statement of activities.

Note 4. Property and Equipment, Net

Property and equipment, net, at cost or fair market value at date of donation, consists of the following at June 30:

	<u>2009</u>	<u>2008</u>	<u>Estimated Useful Life</u>
Furniture and fixtures	\$ 122,061	\$ 116,108	5 years
Computer hardware and software	73,974	76,640	3 years
Equipment obtained under capital lease	22,545	22,545	5 years
Leasehold improvements	<u>232,923</u>	<u>232,923</u>	Remaining lease term
	451,503	448,216	
Less accumulated depreciation and amortization	<u>317,994</u>	<u>206,631</u>	
	<u><u>\$ 133,509</u></u>	<u><u>\$ 241,585</u></u>	

Accumulated depreciation pertaining to equipment obtained under a capital lease at June 30, 2009 and 2008 amounted to \$16,533 and \$12,024, respectively.

New York Center for Autism Charter School

Notes to Financial Statements

Note 5. Capital Lease Obligations

The Charter School leases office equipment under a capital lease expiring in October 2010. The lease requires monthly payments of principal and interest of \$418, imputed at an interest rate of 4.28%. The economic substance of the lease is that the Charter School is financing the acquisition of the assets through the lease and, accordingly, it is recorded in the Charter School's assets and liabilities.

Future minimum lease payments under the lease are as follows:

Year ending June 30,

2010	\$	5,017
2011		1,672
		<hr/>
Total minimum lease payments		6,689
Less amount representing interest		199
		<hr/>
Present value of minimum lease payments	\$	<u>6,490</u>

Note 6. Related Party Transactions

The Charter School has been assisted in the pursuit of its educational goals by its affiliate, NYCA, since its inception. In December 2004, NYCA entered into an institutional partnership agreement ("Partnership Agreement") with the Charter School to support its mission and operations. Certain individuals serve on the board of directors for both NYCA and the Charter School but do not represent a majority on either board. As part of this Partnership Agreement, NYCA has supported the fiscal operations and development of the Charter School; implemented a comprehensive fund-raising campaign to support the operations and initiatives of the Charter School; facilitated a collaborative strategic planning process, provided administrative support and resources; provided the Charter School with access to its research and design symposia, scientific forums and research initiatives jointly with the Charter School; and assisted with implementing the Charter School's academic programs, creating and coordinating external affiliations to further the Charter School's programs and facilitated initiatives to address the educational, developmental and/or social services needs of the Charter School's students and families.

Note 7. Agreement for School Facility

The Charter School has entered into a Facility Shared Use Agreement (the "Agreement") with the New York City Department of Education for dedicated and shared space at P.S. 50, a New York City public school located at 433 East 100th Street, New York, New York. The Agreement commenced on July 1, 2005 at a cost of \$1 per year and expires in June 2010. The Charter School will be responsible for any overtime related costs for services provided beyond the regular opening hours.

New York Center for Autism Charter School

Notes to Financial Statements

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30:

	<u>2009</u>	<u>2008</u>
Peer Mentoring Program	\$ -	\$ 25,557
Extended School Year Program	-	50,000
Baseball Program	5,000	-
Field trip	800	-
Time restricted for future periods (see Note 3)	-	1,156,687
	<u><u>\$ 5,800</u></u>	<u><u>\$ 1,232,244</u></u>

Net assets were released from donor restrictions by the passage of time or incurring expenses to satisfy purpose restrictions comprised of the following for the year ended June 30, 2009:

Extended School Year Program	\$ 50,000
Peer Mentoring Program	38,057
	<u><u>\$ 88,057</u></u>

The entire time-restricted for future periods temporarily restricted net assets as of June 30, 2008 amounting to \$1,156,687 is comprised of multi-year pledge payments due from NYCA for which the Charter School's management has recorded a provision in fiscal 2009 due to the uncertainty of its collectability and has reflected it as a provision for uncollectible pledge in the fiscal 2009 statement of activities.

Note 9. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits may result in disallowances of costs submitted for reimbursement. 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.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
New York Center for Autism Charter School
New York, New York

We have audited the financial statements of New York Center for Autism Charter School (the "Charter School") as of and for the year ended June 30, 2009, and have issued our report thereon dated October 23, 2009. 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 audit, we considered the Charter 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 Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity'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 that might be 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 Charter 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 finance committee, board of trustees, management, the New York State Education Department and the Board of Regents of the University of the State of New York and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

New York, New York
October 23, 2009

