

BEDFORD STUYVESANT  
NEW BEGINNINGS CHARTER SCHOOL  
(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2011

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
FINANCIAL STATEMENTS  
JUNE 30, 2011

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## INDEPENDENT AUDITORS' REPORT

### TO THE BOARD OF TRUSTEES BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL

We have audited the accompanying statement of financial position of Bedford Stuyvesant New Beginnings Charter School (the "School") (a not-for-profit corporation) as of June 30, 2011, and the related statements of activities, and cash flows for the period from January 12, 2010 (inception) to June 30, 2011. 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.

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 present 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 period from January 12, 2010 (inception) to June 30, 2011, 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 23, 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 grants. 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 23, 2011

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2011

ASSETS

Current assets:

Cash and cash equivalents	\$ 105,228
Grants and contracts receivable	166,687
Accounts receivable	1,867
Prepaid expenses	17,844
Total current assets	291,626

Other assets:

Property and equipment, net of accumulated depreciation and amortization of \$49,941	587,882
Security deposits	75,000
Restricted cash	10,027
Total other assets	672,909

TOTAL ASSETS	\$ 964,535
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LIABILITIES AND UNRESTRICTED NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 177,925
Accrued payroll and payroll taxes	175,255
Refundable advances	75,337
Due to related parties	239,694
Total current liabilities	668,211

Deferred rent	723,322
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TOTAL LIABILITIES	1,391,533
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Unrestricted net assets	(426,998)
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TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$ 964,535
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The accompanying notes are an integral part of the financial statements.

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
STATEMENT OF ACTIVITIES  
FOR THE PERIOD FROM JANUARY 12, 2010 (INCEPTION) TO  
JUNE 30, 2011

Revenue and support:	
State and local per pupil operating revenue	\$ 2,807,484
Federal grants	301,669
State and city grants	145,071
Contributions and private grants	57,942
Donated services	43,241
After school program	27,930
Interest income	1,652
Total revenue and support	<u>3,384,989</u>
Expenses:	
Program services:	
Regular education	2,864,285
Special education	286,632
Supplementary education	30,817
Total program services	<u>3,181,734</u>
Supporting services:	
Management and general	594,456
Fundraising	35,797
Total expenses	<u>3,811,987</u>
Change in unrestricted net assets	(426,998)
Unrestricted net assets - beginning of period	<u>-</u>
Unrestricted net assets - end of period	<u><u>\$ (426,998)</u></u>

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

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM JANUARY 12, 2010 (INCEPTION) TO  
JUNE 30, 2011

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in unrestricted net assets	\$ (426,998)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:	
Depreciation and amortization	49,941
Changes in certain assets and liabilities:	
(Increase) in grants and contracts receivable	(166,687)
(Increase) in accounts receivable	(1,867)
(Increase) in prepaid expenses	(17,844)
(Increase) in security deposit	(75,000)
Increase in accounts payable and accrued expenses	177,925
Increase in accrued payroll and payroll taxes	175,255
Increase in refundable advances	75,337
Increase in due to related parties	239,694
Increase in deferred rent	723,322
	<hr/>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>753,078</b>
	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment	(637,823)
(Increase) in restricted cash	(10,027)
	<hr/>
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(647,850)</b>
	<hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>105,228</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b>-</b>
	<hr/>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$ 105,228</b>
	<hr/> <hr/>

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

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

Nature of School

Bedford Stuyvesant New Beginnings Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated 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 12, 2010 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 provides an all-inclusive environment that promotes diverse learning for all students and promotes academic and civic achievements, ranging from the fundamentals of fine art, music, theatre, physical education, and technology. Classes commenced in Brooklyn, New York in September 2010 and the School provided education to approximately 182 students in grades kindergarten through third grade in the 2010-11 academic year.

Food and Transportation Services

The New York City Department of Education provides free lunches and transportation directly to a majority of the School's students. Such costs are not included in these financial statements. The School covers the cost of lunches for children not entitled to the free lunches.

Tax Status

The School is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as a School 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 period from January 12, 2010 (inception) to June 30, 2011.

The School's accounting policy provides that a tax expense or benefit from an uncertain tax position may be recognized when it is more than 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 position 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:

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

Basis of Presentation (Continued)

Unrestricted

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

Temporarily Restricted

Net assets of the School whose use has been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the School. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets, as net assets released from restrictions.

Permanently Restricted

Net assets of the School whose use has been permanently limited by donor-imposed restrictions. Such assets include contributions required to be invested in perpetuity, the income from which is available to support charitable purposes designated by the donors.

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

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.

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 agencies.

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.



BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

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.

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment acquired with certain government funding are recorded as expenses pursuant to the terms of the contract, in which ownership of such property and equipment is retained by the funding source. Maintenance and repairs are expensed as incurred. No depreciation is recorded on construction-in-progress until property and equipment is placed into service. Depreciation and amortization is provided on the straight line method over the estimated useful lives as follows:

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

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.

Refundable Advances

The School records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

Deferred Rent

The School records its rent in accordance with FASB ASC 840-20 whereby all rental payments, including fixed rent increases, are recognized on a straight-line basis as an offset to rent expense. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentives, is reflected in the deferred rent in the accompanying statement of financial position.

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

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

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2011:

Computers and equipment	\$	94,594
Furniture and fixtures		61,866
Leasehold improvements		481,363
		637,823
Less: Accumulated depreciation and amortization		49,941
		\$ 587,882

Depreciation and amortization expense was \$49,941 for the period from January 12, 2010 (inception) to June 30, 2011.

NOTE 4 - COMMITMENTS

Operating lease

On September 1, 2010 the School entered into a non-cancelable operating lease for office and classroom space expiring on June 30, 2030, with a renewal option for an additional ten years. The lease provides for rent escalations and the School is responsible for utilities, real estate taxes and other operating expenses. The School is receiving a partial rent credit for the first 10 years of the lease. The School outlined a detailed 10 year capital improvement plan of approximately \$4,900,000 for renovation projects to both the interior and exterior of the building.

Future minimum lease payments are as follows:

		<u>Amount</u>
Year ending June 30, 2012	\$	600,000
2013		740,000
2014		880,000
2015		1,022,400
2016		1,133,640
Thereafter		21,389,013
		\$ 25,765,053

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 4 - COMMITMENTS (continued)

The School recognizes rent expense on a straight-line basis over the term of the lease. Rent expense in excess of payments is recorded as deferred rent in the accompanying statement of financial position. Rent expense under the lease for the period from January 12, 2010 (inception) to June 30, 2011 amounted to \$1,098,323.

NOTE 5 - CONTINGENCY

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE 6 - REVENUE CONCENTRATION

The School receives a substantial portion of its support and revenue from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

NOTE 7 - 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 8 - DONATED GOODS AND 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 or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

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 value of \$43,241 for the period from January 12, 2010 (inception) to June 30, 2011.

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 9 - RELATED PARTY TRANSACTIONS

On July 1, 2009 the School entered into an agreement with Antares Venture Solutions (“Antares”) to act as a project manager and perform certain professional services during the application and start-up phase of the School’s chartering process. Antares’ owner is also the COO and a non-voting Board Member of the School. The School incurred \$249,749 in professional fees payable to Antares Ventures Solutions for the period from January 12, 2010 (inception) to June 30, 2011. The balance due to Antares Ventures Solutions at June 30, 2011 amounted to \$230,000. The School paid \$100,000 of this balance subsequent to the balance sheet date.

In addition, the School had a liability of \$9,694 at June 30, 2011 for various expense reimbursements to this Board Member. The School paid \$4,500 of this balance subsequent to the balance sheet date.

NOTE 10 - RETIRMENT PLAN

The School maintains a retirement 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 \$18,929 for the period from January 12, 2010 (inception) to June 30, 2011. In addition, the amount charged to operations for administrative fees under the plan amounted to \$750 for the period from January 12, 2010 (inception) to June 30, 2011.

NOTE 11 - SUBSEQUENT EVENTS

The School has evaluated its subsequent events through September 23, 2011, the date that the accompanying financial statements were issued. The School has no material events requiring disclosure.

FRUCHTER ROSEN & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
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INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION

TO THE BOARD OF TRUSTEES  
BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL

Our report on our audit of the basic financial statements of Bedford Stuyvesant New Beginnings Charter School (a not-for-profit corporation) as of and for the period from January 12, 2010 (inception) to June 30, 2011, appears on Page 1. We conducted our audit 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 audit 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 23, 2011

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE PERIOD FROM JANUARY 12, 2010 (INCEPTION) TO JUNE 30, 2011

	Regular Education	Special Education	Supplementary Education	Total Program Service	Management and General	Fundraising	Total
Salaries and wages	\$ 1,144,359	\$ 75,299	\$ 7,355	\$ 1,227,013	\$ 172,801	\$ 1,302	\$ 1,401,116
Employee benefits and payroll taxes	219,622	14,451	1,412	235,485	33,164	250	268,899
Audit and accounting fees	-	-	-	-	20,000	-	20,000
Donated legal services	34,593	4,757	-	39,350	3,892	-	43,242
Advertising and recruiting	8,869	1,135	-	10,004	215	-	10,219
Legal fees	300	41	-	341	34	-	375
Financial management services	-	-	-	-	89,403	-	89,403
Contractual services	28,662	3,941	-	32,603	3,225	-	35,828
Consulting	167,743	15,809	22,050	205,602	140,357	33,549	379,508
Leased equipment	4,000	550	-	4,550	450	-	5,000
Student food service	7,534	944	-	8,478	-	-	8,478
Staff lunches	4,347	598	-	4,945	489	-	5,434
Insurance	15,208	2,091	-	17,299	1,711	-	19,010
Utilities	69,950	9,618	-	79,568	7,870	-	87,438
Rent	878,658	120,815	-	999,473	98,850	-	1,098,323
Postage and shipping	3,298	454	-	3,752	330	41	4,123
Classroom supplies	25,215	3,159	-	28,374	-	-	28,374
Instructional materials	94,153	11,798	-	105,951	-	-	105,951
Professional development	34,888	4,372	-	39,260	5,481	-	44,741
Repairs and maintenance	16,633	2,287	-	18,920	1,870	-	20,790
Office expense	15,694	2,158	-	17,852	4,488	121	22,461
Telephone and internet services	16,565	2,278	-	18,843	1,657	207	20,707
Information technology	26,141	3,594	-	29,735	2,614	327	32,676
Student transportation	7,904	990	-	8,894	-	-	8,894
Dues and subscriptions	-	-	-	-	877	-	877
Depreciation and amortization	39,949	5,493	-	45,442	4,499	-	49,941
Miscellaneous	-	-	-	-	179	-	179
Total	<u>\$ 2,864,285</u>	<u>\$ 286,632</u>	<u>\$ 30,817</u>	<u>\$ 3,181,734</u>	<u>\$ 594,456</u>	<u>\$ 35,797</u>	<u>\$ 3,811,987</u>

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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  
BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL

We have audited the financial statements of Bedford Stuyvesant New Beginnings Charter School (“the School”) as of and for the period from January 12, 2010 (inception) to June 30, 2011, and have issued our report thereon dated September 23, 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

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  
BEDFORD STUYVESANT NEW BEGINNINGS 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*.

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 23, 2011