

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

FINANCIAL STATEMENTS

JUNE 30, 2016
(with comparative financial information for June 30, 2015)

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FRUCHTER ROSEN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Bedford Stuyvesant New Beginnings Charter School (the "School") (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School's 2015 financial statements, and our report dated September 28, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2016 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.


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

New York, New York
October 27, 2016

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016
(with comparative financial information for June 30, 2015)

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,614,801	\$ 908,286
Grants and contracts receivable	412,560	198,234
Prepaid expenses and other current assets	8,225	97,535
Total current assets	2,035,586	1,204,055
Other assets:		
Property and equipment, net of accumulated depreciation and amortization of \$1,292,573 and \$982,208, respectively	1,900,242	1,879,816
Security deposits	79,845	79,845
Restricted cash	75,238	75,163
Total other assets	2,055,325	2,034,824
TOTAL ASSETS	\$ 4,090,911	\$ 3,238,879
 LIABILITIES AND UNRESTRICTED NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 265,657	\$ 228,339
Accrued payroll and payroll taxes	355,737	281,933
Refundable advances	22,265	13,642
Total current liabilities	643,659	523,914
Deferred rent	2,937,211	2,752,865
Total liabilities	3,580,870	3,276,779
Unrestricted net assets	510,041	(37,900)
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$ 4,090,911	\$ 3,238,879

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

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(with summarized comparative financial information for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Revenue and support:		
State and local per pupil operating revenue	\$ 9,728,062	\$ 8,228,562
State and local per pupil facilities funding	273,416	147,103
Federal grants	338,505	307,797
State and city grants	296,144	247,747
Contributions and private grants	2,350	5,644
After school program	36,339	35,186
In-kind donation	19,665	-
Interest and other income	8,800	459
	<u>10,703,281</u>	<u>8,972,498</u>
 Expenses:		
Program services:		
Regular education	6,036,314	5,162,241
Special education	1,658,745	1,344,315
Supplementary education	306,085	257,749
Total program services	<u>8,001,144</u>	<u>6,764,305</u>
Supporting services:		
Management and general	1,980,090	1,339,727
Fundraising	174,106	122,782
	<u>10,155,340</u>	<u>8,226,814</u>
 Changes in unrestricted net assets	547,941	745,684
 Unrestricted net assets - beginning of year	<u>(37,900)</u>	<u>(783,584)</u>
 Unrestricted net assets - end of year	<u>\$ 510,041</u>	<u>\$ (37,900)</u>

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

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(with summarized comparative financial information for the year ended June 30, 2015)

	2016							2015
	Program Services				Supporting Services			
	Regular Education	Special Education	Supplementary Education	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 3,497,914	\$ 954,365	\$ 165,618	\$ 4,617,897	\$ 927,001	\$ 27,894	\$ 5,572,792	\$ 4,333,967
Employee benefits and payroll taxes	725,498	197,944	34,351	957,793	192,267	5,786	1,155,846	810,391
Audit and accounting fees	-	-	-	-	22,250	-	22,250	20,250
Donated legal fees	-	-	-	-	19,665	-	19,665	-
Marketing and recruiting	32,128	23,732	-	55,860	57,338	5,734	118,932	66,949
Financial management services	-	-	-	-	52,484	-	52,484	73,162
Contractual services	1,231	336	58	1,625	336	-	1,961	49,488
Consulting	29,017	21,695	56,197	106,909	191,725	123,989	422,623	277,863
Leased equipment	7,056	1,925	334	9,315	1,870	56	11,241	12,762
Student food services	10,200	2,349	-	12,549	-	-	12,549	11,534
Staff lunches	31,931	8,318	-	40,249	8,323	-	48,572	19,048
Insurance	39,311	10,241	-	49,552	10,245	-	59,797	44,263
Utilities	67,800	18,498	3,211	89,509	18,508	-	108,017	201,923
Rent	827,270	225,711	39,169	1,092,150	225,836	-	1,317,986	1,317,935
Postage and shipping	3,192	871	151	4,214	847	25	5,086	4,869
Classroom supplies	84,754	19,522	-	104,276	-	-	104,276	72,407
Instructional materials	146,944	33,844	-	180,788	-	-	180,788	123,193
Professional development	3,397	782	-	4,179	26,788	-	30,967	26,456
Repairs and maintenance	172,496	46,758	6,996	226,250	46,783	-	273,033	208,825
Office expense	2,288	596	-	2,884	94,418	9,823	107,125	68,609
Telephone and internet services	40,796	10,628	-	51,424	10,322	311	62,057	21,440
Information technology	64,121	16,704	-	80,825	16,223	488	97,536	118,661
Student transportation	30,837	7,102	-	37,939	-	-	37,939	23,091
Dues and subscriptions	13,243	3,450	-	16,693	3,451	-	20,144	4,189
Depreciation and amortization	204,033	53,151	-	257,184	53,181	-	310,365	313,419
Miscellaneous	857	223	-	1,080	229	-	1,309	2,120
Total expenses	\$ 6,036,314	\$ 1,658,745	\$ 306,085	\$ 8,001,144	\$ 1,980,090	\$ 174,106	\$ 10,155,340	\$ 8,226,814

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

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(with summarized comparative financial information for the year ended June 30, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in unrestricted net assets	\$ 547,941	\$ 745,684
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	310,365	313,419
Changes in assets and liabilities:		
(Increase) Decrease in grants and contracts receivable	(214,326)	104,771
Decrease (Increase) in prepaid expenses and other current assets	89,310	(40,119)
Increase (Decrease) in accounts payable and accrued expenses	37,318	(200,825)
Increase (Decrease) in accrued payroll and payroll taxes	73,804	(123,188)
Increase (Decrease) in refundable advances	8,623	(41,703)
(Decrease) in due to related party	-	(131,501)
Increase in deferred rent	184,346	295,586
	<u>1,037,381</u>	<u>922,124</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(330,791)	(318,020)
(Increase) in restricted cash	(75)	(75)
	<u>(330,866)</u>	<u>(318,095)</u>
NET CASH (USED IN) INVESTING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	706,515	604,029
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>908,286</u>	<u>304,257</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,614,801</u>	<u>\$ 908,286</u>

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, 2016
(with comparative financial information for June 30, 2015)

NOTE 1 - ORGANIZATION 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 renewed its charter for an additional three-year term through 2018. The School’s mission is to provide 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 608 students in kindergarten through eighth grade in the 2015-2016 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 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, 2016 and 2015.

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 position resulting in an accrual of tax expense or benefit.

IRS forms 990 filed by the School are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Forms 990 filed by the School are no longer subject to examination for the fiscal years ended June 30, 2012 and prior.

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(with comparative financial information for June 30, 2015)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Basis of Presentation

The School's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The financial statement presentation follows the requirements of the Financial Accounting Standards Board 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:

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 statements of activities, 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 had no temporarily or permanently restricted net assets as of June 30, 2016 and 2015.

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 agency.

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL

(A Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(with comparative financial information for June 30, 2015)

NOTE 1 - ORGANIZATION 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

The School considers all highly liquid financial 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. As of June 30, 2016 account balances exceed insured levels by approximately \$1,440,000. 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
Software	3 years

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 certain government grants and contracts as refundable advances until related services are performed, at which time it is recognized as revenue.

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(with comparative financial information for June 30, 2015)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Deferred Rent

The School records its rent in accordance with ASC No. 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 deferred rent in the accompanying statements of financial position.

Comparative Financial Information

The accompanying statements of activities and functional expenses are presented with summarized comparative information. Such prior year information is not presented by net asset class in the statements of activities or by functional category in the statements of functional expenses. Accordingly, such information should be read in conjunction with the School's 2015 financial statements from which the summarized information was derived.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

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

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30,:

	2016	2015
Computers and equipment	\$ 729,150	\$ 547,865
Furniture and fixtures	386,306	319,938
Leasehold improvements	2,031,923	1,974,618
Software	45,436	19,603
	3,192,815	2,862,024
Less: Accumulated depreciation and amortization	(1,292,573)	(982,208)
	<u>\$1,900,242</u>	<u>\$1,879,816</u>

Depreciation and amortization expense was \$310,365 and \$313,419 for the years ended June 30, 2016 and 2015, respectively.

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(with comparative financial information for June 30, 2015)

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 an option to renew the lease 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:

Year ending June 30,	2017	\$ 1,133,640
	2018	1,133,640
	2019	1,133,640
	2020	1,133,640
	2021	1,605,186
	Thereafter	<u>15,249,267</u>
		<u>\$ 21,389,013</u>

Rent expense for the years ended June 30, 2016 and 2015 was \$1,317,986 and \$1,317,935, respectively.

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.

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL

(A Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(with comparative financial information for June 30, 2015)

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 - RETIREMENT 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 5% of annual compensation. The amount charged for matching contributions to this plan was \$61,830 and \$45,465 for the years ended June 30, 2016 and 2015, respectively. In addition, the amount charged to operations for administrative fees under the plan amounted to \$2,905 and \$4,037 for the years ended June 30, 2016 and 2015, respectively.

NOTE 9 - IN-KIND DONATION

Donated services are recognized as contributions in accordance with FASB ASC No. 605, "Accounts for Contributions Received and Contributions Made," if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School and (c) are measurable.

One entity has provided legal services to the School at no charge. The value of these services meets the criteria for recognition in the financial statements and is recorded at fair value. For the years ended June 30, 2016 and 2015, the value of such donated services amounted to \$19,665 and \$-0-, respectively.

NOTE 10 - LINE OF CREDIT

On April 23, 2012, the School entered into an unsecured \$50,000 line of credit agreement with Capital One Bank to provide working capital. The line has no expiration date and bears interest at the Wall Street Journal Prime Rate plus 5.75%. Interest is payable on a monthly basis. There were no outstanding balances under the line of credit as of June 30, 2016 and 2015.

NOTE 11 - SUBSEQUENT EVENTS

The School has evaluated its subsequent events through October 27, 2016, the date that the accompanying financial statements were available to be issued. The School has no material events requiring disclosure.

FRUCHTER ROSEN & COMPANY, P.C.

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INDEPENDENT AUDITORS' 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
BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL

We have audited, in accordance with the 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, the financial statements of Bedford Stuyvesant New Beginnings Charter School (the "School") (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 a 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. 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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

TO THE BOARD OF TRUSTEES OF
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 from 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 a certain matter that was reported to the management of the School in a separate letter dated October 27, 2016.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


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

New York, New York
October 27, 2016