

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

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL
(A Not-For-Profit Corporation)
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FRUCHTER ROSEN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

156 WEST 56TH STREET

NEW YORK, NEW YORK 10019

TEL: (212) 957-3600

FAX: (212) 957-3696

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, 2014, 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.

Auditor's 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 auditor's 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, 2014, 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 2013 financial statements, and our report dated August 26, 2013 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, 2013, 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 August 29, 2014, 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
August 29, 2014

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

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 304,257	\$ 62,891
Grants and contracts receivable	303,005	45,825
Prepaid expenses and other current assets	57,416	37,040
Total current assets	664,678	145,756
Other assets:		
Property and equipment, net of accumulated depreciation and amortization of \$668,789 and \$381,383, respectively	1,875,215	1,820,926
Security deposits	79,845	75,000
Restricted cash	75,088	2,529
Total other assets	2,030,148	1,898,455
TOTAL ASSETS	\$ 2,694,826	\$ 2,044,211
LIABILITIES AND UNRESTRICTED NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 429,164	\$ 656,050
Accrued payroll and payroll taxes	405,121	346,358
Line of credit	-	50,000
Refundable advances	55,345	24,430
Due to related party	131,501	150,007
Total current liabilities	1,021,131	1,226,845
Deferred rent	2,457,279	2,019,293
Total liabilities	3,478,410	3,246,138
Unrestricted net assets	(783,584)	(1,201,927)
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$ 2,694,826	\$ 2,044,211

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 YEARS ENDED JUNE 30,

	2014	2013
Revenue and support:		
State and local per pupil operating revenue	\$ 6,589,872	\$ 4,766,005
Federal grants	273,757	238,891
State and city grants	227,141	121,839
Contributions and private grants	13,536	4,945
After school program	48,958	42,390
Interest and other income	8,847	152
Total revenue and support	7,162,111	5,174,222
Expenses:		
Program services:		
Regular education	4,283,928	3,893,709
Special education	1,273,481	880,162
Supplementary education	65,398	46,396
Total program services	5,622,807	4,820,267
Supporting services:		
Management and general	1,102,502	932,524
Fundraising	18,459	9,799
Total expenses	6,743,768	5,762,590
Changes in unrestricted net assets	418,343	(588,368)
Unrestricted net assets - beginning of year	(1,201,927)	(613,559)
Unrestricted net assets - end of year	\$ (783,584)	\$ (1,201,927)

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 YEARS ENDED JUNE 30,

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in unrestricted net assets	\$ 418,343	\$ (588,368)
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	287,406	232,130
Changes in assets and liabilities:		
(Increase) Decrease in grants and contracts receivable	(257,180)	62,886
(Increase) Decrease in prepaid expenses and other current assets	(20,376)	4,072
(Increase) in security deposit	(4,845)	-
(Increase) Decrease in restricted cash	(72,559)	27,593
(Decrease) Increase in accounts payable and accrued expenses	(226,886)	141,400
Increase in accrued payroll and payroll taxes	58,763	44,054
Increase in refundable advances	30,915	21,129
(Decrease) Increase in due to related party	(18,506)	60,528
Increase in deferred rent	437,986	577,986
	633,061	583,410
NET CASH PROVIDED BY OPERATING ACTIVITIES	633,061	583,410
CASH FLOWS FROM INVESTING ACTIVITY:		
Purchase of property and equipment	(341,695)	(665,794)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments made on line of credit	(50,000)	-
Proceeds from line of credit	-	50,000
	(50,000)	50,000
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(50,000)	50,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	241,366	(32,384)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	62,891	95,275
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 304,257	\$ 62,891
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 321	\$ 3,242

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, 2014 AND 2013

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 437 students in kindergarten through sixth grade in the 2013-2014 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, 2014 and 2013.

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. All forms 990 filed by the School are subject to examination.

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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

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:

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 had no temporarily or permanently restricted net assets at June 30, 2014 and 2013.

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.

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments which potentially subject the School to concentrations of credit risk are cash and cash equivalents. The School places its cash and cash equivalents on deposit in what it believes to be highly credited financial institutions. Cash balances may exceed the FDIC insured levels of \$250,000 per institution at various times during the year. The School believes that there is little risk in any losses and has not experienced any losses in such accounts.

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 grant revenue as deferred revenue until it is expended for the purpose of the grant, 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, 2014 AND 2013

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

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 deferred rent in the accompanying statement of financial position.

Reclassifications

Certain 2013 accounts have been reclassified to conform to the 2014 financial statement presentation. The reclassifications have no effect on 2013 total assets, liabilities, net assets and change in net assets.

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 statement of activities or by functional category in the schedule of functional expenses. Accordingly, such information should be read in conjunction with the School's 2013 financial statements from which the summarized information was derived.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

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

NOTE 3 - PROPERTY AND EQUIPMENT

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

	2014	2013
Computers and equipment	\$ 451,737	\$ 393,359
Furniture and fixtures	264,860	224,586
Leasehold improvements	1,807,804	1,571,501
Software	19,603	12,863
	2,544,004	2,202,309
Less: Accumulated depreciation and amortization	668,789	381,383
	\$ 1,875,215	\$ 1,820,926

Depreciation and amortization expense was \$287,406 and \$232,130 for the years ended June 30, 2014 and 2013, respectively.

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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:

Year ending June 30, 2015	\$ 1,022,400
2016	1,133,640
2017	1,133,640
2018	1,133,640
2019	1,133,640
Thereafter	<u>17,988,093</u>
	<u>\$ 23,545,053</u>

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 for the years ended June 30, 2014 and 2013 was \$1,317,986 and \$1,317,997, 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, 2014 AND 2013

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 - RELATED PARTY TRANSACTIONS

On July 1, 2009 the School entered into an agreement with Antares Venture Solutions (“Antares”) to perform certain professional services. Antares’ owner is the former acting Executive Director of the School. The agreement was reviewed and renewed annually by the School’ Board of Trustees through June 30, 2014. The Board of Trustees hired a full time Executive Director and decided not to renew this agreement for the 2014-2015 academic year. The School incurred \$168,000 and \$150,000 in professional fees payable to Antares for the years ended June 30, 2014 and 2013, respectively. The balance due to Antares at June 30, 2014 and 2013 amounted to \$131,501 and \$150,007, respectively. This balance will be paid during the year ended June 30, 2015.

NOTE 9 - 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 \$50,058 and \$57,673 for the years ended June 30, 2014 and 2013, respectively. In addition, the amount charged to operations for administrative fees under the plan amounted to \$2,996 and \$2,592 for the years ended June 30, 2014 and 2013, 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. At June 30, 2014 and 2013, outstanding borrowings under this line of credit were \$-0- and \$50,000, respectively. Interest expense was \$321 and \$3,242 for the years ended June 30, 2014 and 2013, respectively.

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 11 - SUBSEQUENT EVENTS

The School has evaluated its subsequent events through August 29, 2014, the date that the accompanying financial statements were issued. The School has no material events requiring disclosure.

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156 WEST 56TH STREET

NEW YORK, NEW YORK 10019

TEL: (212) 957-3600

FAX: (212) 957-3696

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of Bedford Stuyvesant New Beginnings Charter School as of and for the year ended June 30, 2014, and have issued our report thereon dated August 29, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


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

New York, New York
August 29, 2014

BEDFORD STUYVESANT NEW BEGINNINGS CHARTER SCHOOL
(A Not-For-Profit Corporation)
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30,

	2014				Management and General	Fundraising	Total	2013
	Regular Education	Special Education	Supplementary Education	Total				
Salaries and wages	\$ 1,958,264	\$ 591,397	\$ 32,783	\$ 2,582,444	\$ 444,974	\$ 6,700	\$ 3,034,118	\$ 2,522,041
Employee benefits and payroll taxes	406,358	122,720	6,803	535,881	92,337	1,390	629,608	547,629
Audit and accounting fees	-	-	-	-	23,158	-	23,158	20,250
Advertising and recruiting	6,335	2,897	-	9,232	5,565	557	15,354	10,585
Financial management services	-	-	-	-	93,325	-	93,325	128,830
Contractual services	22,243	6,717	372	29,332	5,131	-	34,463	36,397
Consulting	291,018	101,034	8,956	401,008	108,519	8,506	518,033	283,574
Leased equipment	-	-	-	-	7,823	79	7,902	3,048
Student food service	6,895	2,047	-	8,942	1,564	-	10,506	2,419
Staff lunches	9,967	2,960	-	12,927	2,261	-	15,188	7,574
Insurance	24,815	7,371	-	32,186	5,630	-	37,816	30,249
Utilities	121,453	36,679	2,033	160,165	28,013	-	188,178	108,108
Rent	850,647	256,896	14,241	1,121,784	196,202	-	1,317,986	1,317,997
Postage and shipping	-	-	-	-	1,655	87	1,742	3,137
Classroom supplies	62,742	12,348	-	75,090	1,033	-	76,123	54,138
Instructional materials	182,429	34,472	-	216,901	-	-	216,901	188,931
Professional development	22,760	4,300	-	27,060	2,078	-	29,138	94,837
Repairs and maintenance	23,644	7,085	210	30,939	5,411	-	36,350	26,748
Office expense	3,569	1,060	-	4,629	18,141	892	23,662	31,407
Telephone and internet services	21,431	6,366	-	27,797	4,790	72	32,659	23,870
Information technology	52,153	15,491	-	67,644	11,655	176	79,475	44,894
Student transportation	26,612	5,029	-	31,641	-	-	31,641	27,194
Dues and subscriptions	1,507	448	-	1,955	342	-	2,297	11,543
Interest and bank fees	309	92	-	401	71	-	472	4,242
Depreciation and amortization	188,601	56,020	-	244,621	42,785	-	287,406	232,130
Miscellaneous	176	52	-	228	39	-	267	818
Total	\$ 4,283,928	\$ 1,273,481	\$ 65,398	\$ 5,622,807	\$ 1,102,502	\$ 18,459	\$ 6,743,768	\$ 5,762,590

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156 WEST 56TH STREET

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FAX: (212) 957-3696

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"), which comprise the statement of financial position as of June 30, 2014, 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 August 29, 2014.

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 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 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 certain matter that was reported to the management of the School in a separate letter dated August 29, 2014.

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
August 29, 2014