

EXPLORE EXCEL CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

EXPLORE EXCEL CHARTER SCHOOL  
FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION:	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5
Notes to financial statements	6 – 11
Independent auditors' report on supplementary information	12
Schedule of functional expenses	13
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	14 – 15

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES OF  
EXPLORE EXCEL CHARTER SCHOOL

***Report on the Financial Statements***

We have audited the accompanying financial statements of Explore Excel 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.

***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 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 September 20, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of 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 October 17, 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  
October 17, 2014

EXPLORE EXCEL CHARTER SCHOOL  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30,

	2014	2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,609,179	\$ 1,011,962
Grants and contracts receivable	80,756	310,172
Prepaid expenses and other current assets	60,794	36,880
Total current assets	1,750,729	1,359,014
Other assets:		
Property and equipment, net of accumulated depreciation and amortization of \$264,931 and \$138,956, respectively	381,853	405,310
Restricted cash	75,128	75,040
Total other assets	456,981	480,350
<b>TOTAL ASSETS</b>	<b>\$ 2,207,710</b>	<b>\$ 1,839,364</b>
 <b>LIABILITIES AND UNRESTRICTED NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 170,649	\$ 118,692
Accrued payroll and payroll taxes	438,391	388,221
Due to related parties	16,188	7,954
Total current liabilities	625,228	514,867
Unrestricted net assets:		
Undesignated	1,082,482	974,497
Board-designated for reserve fund	500,000	350,000
Total unrestricted net assets	1,582,482	1,324,497
<b>TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS</b>	<b>\$ 2,207,710</b>	<b>\$ 1,839,364</b>

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

EXPLORE EXCEL CHARTER SCHOOL  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>
Operating revenue:		
State and local per pupil operating revenue	\$ 5,472,628	\$ 4,585,848
Federal grants	205,824	403,688
Federal E-rate	105,370	147,080
State and city grants	<u>37,916</u>	<u>23,238</u>
 Total operating revenue	 <u>5,821,738</u>	 <u>5,159,854</u>
Operating expenses:		
Program services:		
Regular education	3,905,652	3,134,509
Special education	678,115	661,610
Total program services	<u>4,583,767</u>	<u>3,796,119</u>
Supporting services:		
Management and general	<u>993,102</u>	<u>777,028</u>
 Total operating expenses	 <u>5,576,869</u>	 <u>4,573,147</u>
 Surplus from operations	 <u>244,869</u>	 <u>586,707</u>
Support and other revenue:		
Foundations and other contributions	-	3,556
Fundraising event	13,028	10,156
Interest and other income	<u>88</u>	<u>37</u>
 Total support and other revenue	 <u>13,116</u>	 <u>13,749</u>
 Changes in unrestricted net assets	 257,985	 600,456
Unrestricted net assets - beginning of year	<u>1,324,497</u>	<u>724,041</u>
Unrestricted net assets - end of year	<u>\$ 1,582,482</u>	<u>\$ 1,324,497</u>

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

EXPLORE EXCEL CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in unrestricted net assets	\$ 257,985	\$ 600,456
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	154,590	104,121
Loss on disposal of property and equipment	5,723	1,112
Decrease (Increase) in certain assets:		
Grants and contracts receivable	229,416	141,830
Prepaid expenses and other current assets	(23,914)	21,399
Restricted cash	(88)	(70,038)
Increase (Decrease) in certain liabilities:		
Accounts payable and accrued expenses	51,957	(96,790)
Accrued payroll and payroll taxes	50,170	110,175
Due to related parties	8,234	(4,906)
	<u>734,073</u>	<u>807,359</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property and equipment	<u>(136,856)</u>	<u>(230,810)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	597,217	576,549
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,011,962</u>	<u>435,413</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,609,179</u></u>	<u><u>\$ 1,011,962</u></u>

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

EXPLORE EXCEL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

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

Nature of Organization

Explore Excel Charter School (the “School”) is a New York State, not-for-profit educational corporation that operates a charter school in the borough of Brooklyn, New York. The School was granted a provisional charter on December 14, 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 was established to provide its students with the academic skills and critical thinking abilities they need to succeed in a college preparatory high school. Furthermore, the School was established to prepare such underserved students for higher education, civic involvement and lifelong success through a structured, caring environment of high academic expectations. The School provided education to approximately 356 students in kindergarten through fifth grades during the 2013-2014 academic year.

The School has an agreement with the New York City Department of Education (“NYCDOE”) to use public school open space at no annual cost. The School’s management does not anticipate this agreement will be terminated in the near future. On December 12, 2012, the School secured a second location to house a middle school through the New York City Department of Education. The middle school will provide education from fifth through eighth grades. Classes for the middle school began August 21, 2013. The School will add one grade per year until it reaches full scale in 2016-2017 and will serve students in kindergarten through eighth grades. The School is not responsible for rent, utilities, custodial services, and school safety services other than those required over the summer when traditional NYCDOE schools are not in service.

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 did not have any net 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.



EXPLORE EXCEL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

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

Tax Status (Continued)

IRS Form 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.

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

Unrestricted net assets of the School are assets whose use has not been restricted by an outside donor or by law. The unrestricted net assets represent the portion of expendable funds that are available for the support of the operation of the School.

Board-designated net assets were established by the Board of Trustees to provide a reserve for unforeseen facility, personnel, and other issues.

Temporarily Restricted

Temporarily restricted net assets are used to differentiate resources, the use of which is restricted by donors or grantors to a specific time or period or for a specific purpose. Temporarily restricted gifts are recorded as additions to temporarily restricted net assets in the period received. When restricted net assets are expended for their stipulated purpose, temporarily restricted net assets become unrestricted net assets and are 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 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.

EXPLORE EXCEL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

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

Revenue and Support (Continued)

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.

Cash and Cash Equivalents

For the purpose of the statements 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:

Furniture and fixtures	5 years
Computers and equipment	3 and 5 years
Software	3 years
Leasehold improvements	33.5 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.

EXPLORE EXCEL CHARTER SCHOOL  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2014 AND 2013

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

Refundable Advances

The School records certain government operating revenue as a refundable advance until related services are performed, at which time they are recognized as revenue.

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 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.

Reclassifications

Certain 2013 accounts have been reclassified to the 2014 financial statements presentation. The reclassification has no effect on 2013 total assets, liabilities, net assets, and changes in net assets.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist 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 consist of the following at June 30,:

	2014	2013
Furniture and fixtures	\$ 70,913	\$ 32,099
Computers and equipment	436,959	390,960
Software	10,948	13,018
Leasehold improvements	127,964	108,189
	646,784	544,266
 Less: Accumulated depreciation and amortization	 (264,931)	 (138,956)
	\$ 381,853	\$ 405,310

Depreciation and amortization expense was \$154,590 and \$104,121 for the years ended June 30, 2014 and 2013, respectively.

For the years ended June 30, 2014 and 2013, the School had a loss on disposal of property and equipment of \$5,723 and \$1,112, respectively.

EXPLORE EXCEL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

NOTE 4 - RELATED PARTY TRANSACTIONS

The School is affiliated with Explore Schools Inc., (“ESI”), a New York State not-for-profit corporation established under the laws of the State of New York on July 31, 2008. ESI supports the School by providing educational models, recruiting, leadership coaching and professional development, start-up funding, and governance and operational support. The School is also affiliated with Explore Charter School (“Explore”), Explore Empower Charter School (“Empower”) and Explore Exceed Charter School (“Exceed”) through common management and Board members.

The School entered into management agreements with ESI dated through July 1, 2013 to provide the School with educational management services and designs. Pursuant to the agreement, ESI is to select and implement educational programs, coaching and professional development to school-based leadership, manage the School’s business administration and support the Board in all governance issues. As compensation to ESI for these services, the School paid an annual fee of 12% and 11.5% of the School’s general education per pupil operating revenue for the years ended June 30, 2014 and 2013, respectively. Management fee expense for the years ended June 30, 2014 and 2013 was \$578,877 and \$464,048 respectively.

For operational efficiency and purchasing power, the School shares certain expenses with ESI, Explore, Exceed, and Empower. Following are net shared operational expenses charged to the School/(paid on behalf of the related parties) for the years ended June 30,:

	<u>2014</u>	<u>2013</u>
ESI	\$ 82,935	\$ 25,862
Explore	-	14,370
Exceed	-	(188)
Empower	<u>1,878</u>	<u>260</u>
	<u>\$ 84,813</u>	<u>\$ 40,304</u>

The net balance due (to) related parties at June 30, 2014 and 2013 was due to ESI in the amount of \$(16,188) and \$(7,954), respectively.

NOTE 5 - COMMITMENTS

The School leases various copy machines under non-cancelable operating leases expiring in various years through 2017. Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2014 for each of the next three years and in the aggregate are as follows:

Year ending June 30, 2015	\$ 13,572
2016	13,572
2017	<u>971</u>
	<u>\$ 28,115</u>

EXPLORE EXCEL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

NOTE 6 - 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 7 - 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 8 - 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 9 - RETIREMENT PLAN

The School maintains a pension plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School will match 50% of employees' elective contributions, not to exceed 10% of the employee's salary. Total employer match for the years ended June 30, 2014 and 2013 was \$29,279 and \$21,824, respectively.

NOTE 10 - SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through October 17, 2014, the date the financial statements were available to be issued.

FRUCHTER ROSEN & COMPANY, P.C.

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INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION

TO THE BOARD OF TRUSTEES OF  
EXPLORE EXCEL CHARTER SCHOOL

We have audited the financial statements of Explore Excel Charter School as of and for the year ended June 30, 2014, and have issued our report thereon dated October 17, 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  
October 17, 2014

EXPLORE EXCEL CHARTER SCHOOL  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE HYEARS ENDED JUNE 30,

2014

	Program Services			General and Administrative	Total	2013
	Regular Education	Special Education	Total Program Service			
Salaries	\$ 2,124,830	\$ 429,667	\$ 2,554,497	\$ 493,200	\$ 3,047,697	\$ 2,723,289
Employee benefits and payroll taxes	523,437	105,845	629,282	121,496	750,778	602,062
Management fees	360,691	18,984	379,675	199,202	578,877	464,048
Advertising and recruiting	6,051	318	6,369	25,600	31,969	49,973
Outside services	251,812	56,488	308,300	10,096	318,396	108,412
Audit and accounting	-	-	-	20,250	20,250	20,750
Conferences, meetings and staff development	63,626	3,349	66,975	12,005	78,980	71,338
Curriculum and classroom	131,992	28,592	160,584	-	160,584	150,474
Student food service	26,439	5,726	32,165	-	32,165	16,287
Student and family services	29,463	6,382	35,845	-	35,845	58,676
Insurance	25,179	1,325	26,504	4,677	31,181	21,367
Postage and copying	9,993	526	10,519	1,856	12,375	19,269
Office supplies	40,688	4,521	45,209	45,209	90,418	43,987
Telephone, technology and communications	135,135	7,112	142,247	25,103	167,350	86,204
Loss on disposal of property and equipment	-	-	-	5,723	5,723	1,112
Depreciation and amortization	128,115	6,743	134,858	19,732	154,590	104,121
Miscellaneous	48,201	2,537	50,738	8,953	59,691	31,778
Total	<u>\$ 3,905,652</u>	<u>\$ 678,115</u>	<u>\$ 4,583,767</u>	<u>\$ 993,102</u>	<u>\$ 5,576,869</u>	<u>\$ 4,573,147</u>

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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  
EXPLORE EXCEL 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 Explore Excel 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 October 17, 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  
EXPLORE EXCEL 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 October 17, 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  
October 17, 2014

EXPLORE EXCEL CHARTER SCHOOL

MANAGEMENT LETTER

JUNE 30, 2014

FRUCHTER ROSEN & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
156 WEST 56<sup>TH</sup> STREET  
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October 17, 2014

Audit Committee of the Board of Trustees  
Explore Excel Charter School

In planning and performing our audit of the financial statements of Explore Excel Charter School (the "School") as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

Exhibit I accompanying this letter summarizes corrective action not taken on prior year observation for the year ended June 30, 2014. We determined that this observation did not constitute a significant deficiency or material weakness. Management's response to this observation has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, Board of Trustees, federal, state and local awarding agencies, The Charter School Institute of the State University 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.

We appreciate your cooperation and the assistance we received during the course of our audit.

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

New York, New York  
October 17, 2014

EXPLORE EXCEL CHARTER SCHOOL  
MANAGEMENT LETTER  
JUNE 30, 2014

CONTENTS

EXHIBIT I – CORRECTIVE ACTION NOT TAKEN ON PRIOR YEAR OBSERVATION

- A. Approval of Debit Card Purchases 1

EXPLORE EXCEL CHARTER SCHOOL  
MANAGEMENT LETTER

EXHIBIT I – CORRECTIVE ACTION NOT TAKEN ON PRIOR YEAR OBSERVATION

In conjunction with performing the audit of the Organization’s financial statements for the year ended June 30, 2014, we followed up on the status of implementation of audit recommendations made during the year ended June 30, 2013.

A. APPROVAL OF DEBIT CARD PURCHASES

Observation

Even though the majority of debit card purchases tested were adequately supported by receipts, invoices, and other documentation, we noted that many of the purchase request forms were signed after the purchase date. The School explained that the requests are often made for repeat purchases and that the approvals are made verbally, with the signing of the purchase request form taking place later as part of a batch signing of various documents.

Recommendation

We recommend that in circumstances where the School cannot obtain a written approval prior to a purchase, that the School obtain approvals by e-mail rather than verbally so as to retain a record of the authorization that would evidence the actual timing of approval.

Current Year Status

During our 2014 audit, we noted that the School improved with obtaining proper approvals prior to debit card purchases, there were still a significant amount of purchases that approval was obtained after the purchase date.

Updated Management’s Response

The school has obtained prior approval for all debit card purchases before the purchases were made. In instances where a signed approval form could not be obtained in a timely manner for the purchase, the school has obtained email approval as documentation of authorization.