CHARTER HIGH SCHOOL FOR LAW AND SOCIAL JUSTICE

BRONX, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2017
(With Comparative Totals for 2016)

MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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MMB
MENGEL METZGER BARR & CO. LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Charter High School for Law and Social Justice

Report on the Financial Statements

We have audited the accompanying financial statements of Charter High School for Law and Social Justice, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, 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 entity'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 entity'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.

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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 Charter High School for Law and Social Justice as of June 30, 2017, 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 Charter High School for Law and Social Justice's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statement in our report dated October 19, 2016. In our opinion, the summarized comparative information presented herein as of June 30, 2016 and for the period from December 17, 2013 (date of inception) to June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Report Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017 on our consideration of Charter High School for Law and Social Justice'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 Charter High School for Law and Social Justice's internal control over financial reporting and compliance.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 18, 2017

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CHARTER HIGH SCHOOL FOR LAW AND SOCIAL JUSTICE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017
(With Comparative Totals for 2016)

	June 30,	
ASSETS	2017	2016
CURRENT ASSETS		
Cash	$ 282,905	$ 121,592
Cash in escrow	75,151	49,062
Grants and other receivables	434,908	411,185
Prepaid expenses and other current assets	164,613	48,830
TOTAL CURRENT ASSETS	957,577	630,669
PROPERTY AND EQUIPMENT, net	475,779	309,396
TOTAL ASSETS	$ 1,433,356	$ 940,065
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 50,597	$ 157,747
Accrued payroll and benefits	73,655	22,732
Deferred revenue	114,949	17,231
TOTAL CURRENT LIABILITIES	239,201	197,710
NET ASSETS		
Unrestricted	1,170,155	718,355
Temporarily restricted	24,000	24,000
TOTAL NET ASSETS	1,194,155	742,355
TOTAL LIABILITIES AND NET ASSETS	$ 1,433,356	$ 940,065

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

CHARTER HIGH SCHOOL FOR LAW AND SOCIAL JUSTICE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	Year ended June 30, 2017			Period from December 17, 2013 (date of inception) to June 30, 2016
	Unrestricted	Temporarily restricted	Total	Total
Operating revenue and support:				
State and local per pupil operating revenue	$ 4,228,308	$ -	$ 4,228,308	$ 2,211,527
Government grants	253,876	-	253,876	1,090,021
Private grants	20,942	24,000	44,942	38,997
Fundraising	-	-	-	13,879
Contributed services	77,699	-	77,699	92,796
Other income	-	-	-	1,897
Interest income	89	-	89	55
Net assets released from restriction	24,000	(24,000)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	4,604,914	-	4,604,914	3,449,172
Expenses:				
Program:				
Regular education	2,887,851	-	2,887,851	1,481,309
Special education	527,436	-	527,436	483,088
Management and general	678,225	-	678,225	702,764
Fundraising and special events	59,602	-	59,602	39,656
TOTAL EXPENSES	4,153,114	-	4,153,114	2,706,817
CHANGE IN NET ASSETS	451,800	-	451,800	742,355
Net assets at beginning of period	718,355	24,000	742,355	-
NET ASSETS AT END OF PERIOD	$ 1,170,155	$ 24,000	$ 1,194,155	$ 742,355

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

CHARTER HIGH SCHOOL FOR LAW AND SOCIAL JUSTICE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

		Year ended June 30, 2017							Period from December 17, 2013 (date of inception) to June 30, 2016
		Program Services			Supporting Services				
	No. of Positions	Regular Education	Special Education	Sub-total	Fundraising and Special Events	Management and General	Sub-total	Total	
Personnel services costs:									
Administrative staff personnel		$ 402,433	$ 123,810	$ 526,243	$ 29,837	$ 261,502	$ 291,339	$ 817,582	$ 539,156
Instructional personnel		1,070,357	146,219	1,216,576				1,216,576	566,308
Non-instructional personnel	8	6,706	2,682	9,388	-	17,433	17,433	26,821	73,500
Total salaries and wages	13	1,479,496	272,711	1,752,207	29,837	278,935	308,772	2,060,979	1,178,964
Fringe benefits and payroll taxes	6	268,416	49,476	317,892	5,413	50,605	56,018	373,910	211,506
Legal service	27	68,248	12,580	80,828	1,376	12,867	14,243	95,071	72,944
Accounting/audit services						175,615	175,615	175,615	228,283
Other purchased/professional/consulting services		17,089	2,811	19,900	-	3,877	3,877	23,777	74,493
Building and land rent/lease		449,010	82,765	531,775	9,055	84,654	93,709	625,484	291,070
Repairs and maintenance		105,229	19,396	124,625	2,122	19,839	21,961	146,586	96,812
Insurance		22,469	4,142	26,611	453	4,236	4,689	31,300	30,029
Utilities			9,285	9,285	158	1,478	1,636	10,921	10,254
Supplies/materials		77,377	12,901	90,278	176	1,642	1,818	92,096	85,854
Equipment/furnishings		12,875	2,273	15,148	157	1,472	1,629	16,777	18,938
Staff development		60,135	9,892	70,027		603	603	70,630	63,365
Marketing/recruitment	7,840	14,297	2,477	16,774	-	1,184	1,311	18,085	44,896
Technology	1,445	79,511	14,656	94,167	127	14,990	16,593	110,760	64,206
Food service					1,603			3,613	481
Student services		3,103	510	3,613	-		-	97,394	133,489
Office expense		83,637	13,757	97,394	-	-		62,946	43,570
Depreciation and amortization		45,187	8,329	53,516	-	8,519	9,430	127,142	51,293
Other		91,270	16,824	108,094	911	17,207	19,048	10,028	6,370
		2,663	490	3,153	1,841	502	6,875		
		$ 2,887,851	$ 527,436	$ 3,415,287	$ 6,373	$ 678,225	$ 737,827	$ 4,153,114	$ 2,706,817
					$ 59,602				

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

CHARTER HIGH SCHOOL FOR LAW AND SOCIAL JUSTICE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	Year ended June 30, 2017	Period from December 17, 2013 (date of inception) to June 30, 2016
CASH FLOWS - OPERATING ACTIVITIES		
Change in net assets	$ 451,800	$ 742,355
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	127,142	51,293
Loss on disposal of property and equipment	3,085	-
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(23,723)	(411,185)
Prepaid expenses and other current assets	(115,783)	(48,830)
Accounts payable and accrued expenses	(107,150)	157,747
Accrued payroll and benefits	50,923	22,732
Deferred revenue	97,718	17,231
NET CASH PROVIDED FROM OPERATING ACTIVITIES	484,012	531,343
CASH FLOWS - INVESTING ACTIVITIES		
Purchases of property and equipment	(301,469)	(360,689)
Proceeds from sale of property and equipment	4,859	-
Change in cash in escrow	(26,089)	(49,062)
NET CASH USED FOR INVESTING ACTIVITIES	(322,699)	(409,751)
NET INCREASE IN CASH	161,313	121,592
Cash at beginning of year	121,592	-
CASH AT END OF YEAR	$ 282,905	$ 121,592

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

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Charter High School for Law and Social Justice (the "Charter School") is an educational corporation that operates as a charter school in Bronx, New York. The Charter School provides students from Southern Bronx with a comprehensive high school education and lays the academic and social groundwork for success in college and careers. Using the theme of law and social justice, the Charter School will engage, inspire and empower students, and will equip them with the academic skills to earn a regents diploma and gain admission to the college of their choice, prepared for success. On December 17, 2013 the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2017 or 2016.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. The Charter School had $24,000 in temporarily restricted net assets restricted for summer bridge programs at June 30, 2017, and 2016.

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School's operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Charter School when qualifying expenditures are incurred and billable or the requirements of the grant are met.

Contributions are recognized as revenue in the year the pledge is received and documented.

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Contributions

Contributions received are recorded as unrestricted, temporarily or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, 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.

Cash

Cash balances are maintained at financial institutions located in New York and are insured by the Federal Deposit Insurance Corporation up to $250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Cash in escrow

The Charter School maintains cash in an escrow account in accordance with the terms of its charter agreement. The amount in escrow was $75,151 and $49,062 at June 30, 2017 and 2016, respectively.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2017 or 2016.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to seven years.

Contributed services

The Charter School receives contributed services from volunteers to serve on the Board of Trustees. The Charter School received transportation services, speech therapist, occupational therapist and food supplies from the local district. These goods and services are not valued in the financial statements.

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Contributed Services Cont'd

The Charter School received contributed legal services which were valued at $35,549 and $49,487 for the year ended June 30, 2017 and for the period from December 17, 2013 (date of inception) to June 30, 2016, respectively. The Charter School also was provided with space at a local private college rent free, the estimated value of this contributed space was $42,150 and $41,070 for the year ended June 30, 2017 and for the period from December 17, 2013 (date of inception) to June 30, 2016, respectively. The Charter School also received $2,239 in miscellaneous in kind donations for staff recruitment and advertising for the period from December 17, 2013 (date of inception) to June 30, 2016. These amounts are included in contributed services in the accompanying statement of activities and changes in net assets.

In kind contributions

Gifts and donations other than cash are recorded at fair market value at the date of contribution.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2014 through June 30, 2017 are still subject to potential audit by the IRS. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

Marketing costs

The Charter School expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated $18,000 and $44,900 for the year ended June 30, 2017 and for the period from December 17, 2013 (date of inception) to June 30, 2016, respectively.

Deferred revenue

The Charter 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.

Use of estimates in the preparation of financial statements

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. Actual results could differ from those estimates.

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Comparative for period ended June 30, 2016

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the period ended June 30, 2016, from which the summarized information was derived.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 18, 2017, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30,	
	2017	2016
Furniture and fixtures	$ 130,363	$ 58,018
Office equipment	202,978	51,482
Computers and equipment	131,173	175,414
Software	7,065	7,065
Leasehold improvements	160,907	48,236
Construction in progress	20,325	20,474
	652,811	360,689
Less accumulated depreciation and amortization	177,032	51,293
	$ 475,779	$ 309,396

At June 30, 2017, the Charter School had construction in progress of $20,325 related to the design of their new facility. No provision for depreciation will be made for these costs until the space is put into use.

NOTE C: SCHOOL FACILITY

The Charter School leased its facility from a third party commencing July 1, 2015 through June 2017. Total rent expense was approximately $250,000 for the period from December 17, 2013 (date of inception) to June 30, 2016. In August 2016, the Charter School signed a lease for a new facility which expires June 30, 2036. The Charter School, upon signing this new lease, terminated the existing lease. Total rent expense was approximately $583,000 for the year ended June 30, 2017. The Charter School will be increasing the amount of space occupied at the facility over the first three years of the lease.

Future expected minimum payments for these leases are approximately as follows:

Year ending June 30,	Amount
2018	$ 1,002,000
2019	1,346,000
2020	1,346,000
2021	1,346,000
2022	1,460,000
Thereafter	22,361,000
	$ 28,861,000

NOTE D: OPERATING LEASE

The Charter School entered into non-cancelable lease agreements for office equipment expiring at various dates through August 2020. Lease expense was approximately $7,200 and $6,400 for the year ended June 30, 2017 and the period from December 13, 2013 (date of inception) to June 30, 2016, respectively. Future expected minimum payments for these leases are approximately as follows:

Year ending June 30,	Amount
2018	7,200
2019	7,200
2020	7,200
2021	800
	$ 22,400

NOTE E: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such 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 F: CONCENTRATIONS

Grants and other receivables due from the federal government approximated 16% and 11% for the year ended June 30, 2017 and for the period from December 17, 2013 (date of inception) to June 30, 2016, respectively. At June 30, 2017, approximately 83% of grants and other receivables are due from New York State related to per pupil funding. At June 30, 2016, approximately 75% of grants and other receivables are due from a New York State agency related to a certain grant.

Approximately 92% and 64% of total operating revenue and support came from per-pupil funding provided by New York State for the year ended June 30, 2017 and for the period from December 17, 2013 (date of inception) to June 30, 2016, respectively. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

NOTE G: MAJOR GRANTOR

At June 30, 2017, no one grantor accounted for over 10% of total operating revenue. For the period from December 17, 2013 (date of inception) to June 30, 2016, one federal start up grant accounted for over 20% of total operating revenue and support.

CHARTER HIGH SCHOOL FOR LAW AND SOCIAL JUSTICE

OTHER FINANCIAL INFORMATION

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MENGEL METZGER BARR & CO. LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Charter High School for Law and Social Justice

We have audited the financial statements of Charter High School for Law and Social Justice as of June 30, 2017, and have issued our report thereon dated October 18, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2017 financial information hereinafter is presented for 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 for the year ended June 30, 2017.

We have also audited the financial statements of Charter High School for Law and Social Justice as of June 30, 2016 and for the period from December 17, 2013 (date of inception) June 30, 2016, and our report thereon dated October 19, 2016, expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the 2016 financial statements as a whole. The 2016 supplemental financial information was presented for purposes of additional analysis and was not a required part of the 2016 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 2016 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 financial statements or to the 2016 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Our report as of the same date, on the 2016 supplemental financial information stated that, in our opinion, such information was fairly stated in all material respects in relation to the financial statements for the period from December 17, 2013 (date of inception) to June 30, 2016.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 18, 2017

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CHARTER HIGH SCHOOL FOR LAW AND SOCIAL JUSTICE

SCHEDULE OF ACTIVITIES

YEARS ENDED JUNE 30, 2017 AND 2016,
THE PERIOD FROM DECEMBER 17, 2013 (DATE OF INCEPTION) TO JUNE 30, 2015, AND
THE PERIOD FROM DECEMBER 17, 2013 (DATE OF INCEPTION) TO JUNE 30, 2016

	Year ended June 30,		Period from December 17, 2013 (date of inception) to June 30, 2015	Period from December 17, 2013 (date of inception) to June 30, 2016
	2017	2016		
State and local per pupil operating revenue	$ 4,228,308	$ 2,211,527	$ -	$ 2,211,527
Government grants	253,876	849,487	240,534	1,090,021
Private grants	44,942	24,892	14,105	38,997
Fundraising	-	13,879	-	13,879
Contributed services	77,699	90,557	2,239	92,796
Other income	-	1,897	-	1,897
Interest income	89	13	42	55
TOTAL OPERATING REVENUE AND SUPPORT	4,604,914	3,192,252	256,920	3,449,172
Personnel services costs:				
Administrative staff personnel	817,582	450,424	88,732	539,156
Instructional personnel	1,216,576	560,908	5,400	566,308
Non-instructional personnel	26,821	73,500	-	73,500
Total salaries and wages	2,060,979	1,084,832	94,132	1,178,964
Fringe benefits and payroll taxes	373,910	195,574	15,932	211,506
Legal service	95,071	66,692	6,252	72,944
Accounting/audit services	175,615	182,537	45,746	228,283
Other purchased/professional/ consulting services	23,777	36,833	37,660	74,493
Building and land rent/lease	625,484	291,070	-	291,070
Repairs and maintenance	146,586	96,812	-	96,812
Insurance	31,300	23,988	6,041	30,029
Utilities	10,921	9,130	1,124	10,254
Supplies/materials	92,096	78,860	6,994	85,854
Equipment/furnishings	16,777	17,307	1,631	18,938
Staff development	70,630	56,607	6,758	63,365
Marketing/recruitment	18,085	29,949	14,947	44,896
Technology	110,760	64,206	-	64,206
Food service	3,613	481	-	481
Student services	97,394	133,489	-	133,489
Office expense	62,946	40,196	3,374	43,570
Depreciation and amortization	127,142	51,293	-	51,293
Other	10,028	5,292	1,078	6,370
TOTAL EXPENSES	4,153,114	2,465,148	241,669	2,706,817
CHANGE IN NET ASSETS	$ 451,800	$ 727,104	$ 15,251	$ 742,355

CHARTER HIGH SCHOOL FOR LAW AND SOCIAL JUSTICE

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Charter High School for Law and Social Justice

We have audited, 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, the financial statements of Charter High School for Law and Social Justice, which comprise the statement of financial position as of June 30, 2017 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Charter High School for Law and Social Justice'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charter High School for Law and Social Justice's internal control. Accordingly, we do not express an opinion on the effectiveness of Charter High School for Law and Social Justice'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charter High School for Law and Social Justice'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 matters that we have reported to management of Charter High School for Law and Social Justice in a separate letter dated October 18, 2017.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 18, 2017

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CHARTER HIGH SCHOOL FOR LAW AND SOCIAL JUSTICE

REPORT TO THE FINANCE COMMITTEE

JUNE 30, 2017

MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

MMB
MENGEL METZGER BARR & CO. LLP
Certified Public Accountants

October 18, 2017

Finance Committee
Charter High School for Law and Social Justice

We have audited the financial statements of Charter High School for Law and Social Justice as of and for the year ended June 30, 2017, and have issued our report thereon dated October 18, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 8, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Charter High School for Law and Social Justice solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding control deficiencies and other matters noted during our audit in a separate letter to you dated October 18, 2017.

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Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Charter High School for Law and Social Justice is included in Note A to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year June 30, 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the allocations of operating expenses to program expenses, management and general expenses, and fundraising expenses and the collectability of grants receivable. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Charter High School for Law and Social Justice's financial statements relate to revenue and support recognition, which is referred to in the notes of the financial statements.

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Significant Difficulties Encountered during the Audit

We are pleased to report we encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Charter High School for Law and Social Justice's financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Charter High School for Law and Social Justice, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Charter High School for Law and Social Justice's auditors.

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Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

* * * * *

Should you desire further information concerning these matters, Michelle Cain or Kate Welc will be happy to meet with you at your convenience.

This report is intended solely for the information and use of the Board of Trustees, Finance Committee and management of Charter High School for Law and Social Justice and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP

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CHARTER HIGH SCHOOL FOR LAW AND SOCIAL JUSTICE

ADVISORY COMMENT LETTER

JUNE 30, 2017

MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

MMB
MENGEL METZGER BARR & CO. LLP
Certified Public Accountants

October 18, 2017

Board of Trustees
Charter High School for Law and Social Justice

In planning and performing our audit of the financial statements of Charter High School for Law and Social Justice (the "Charter School") as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter 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 Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this letter 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.

Our audit was also not designed to identify deficiencies in internal control that might be significant deficiencies. 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. We do not consider the following matter to be a significant deficiency or material weakness.

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Debit Card Receipts
During our 2017 audit, we noted two debit card transactions that were missing a receipt, one of which did not have proper approval, as required by the FPPM.

Recommendation
We recommend the cardholder be required to maintain original receipts, invoices, purchase documents and correspondence related to all purchases made using the Charter School's debit card.

Status of matters included in our letter as of June 30, 2016, dated October 19, 2016

Financial Policies and Procedures
During our 2016 audit, we noted certain financial policies and procedures which were designed to ensure timely identification of material errors and accurate reporting were not always followed. Our audit of the Charter School revealed the following:

- We noted the closing of a Charter School's cash account was not approved by the Board of Trustees.

- The FPPM states purchases over $10,000 require signatures from the Principal and Board President, or designated Board Officer in his/her absence. MMB noted there was no approval by the Board President or designated Board Officer for one purchase over $10,000 selected for testing. There was also no mention of this approval in the Board minutes.

Recommendation
The Charter School has extensive policies and procedures which are formally documented in the FPPM and has hired an outside financial consultant to assist with these controls. We recommend the Charter School continue to implement these internal controls as documented in the FPPM. If revisions to these policies or procedures are required to reflect changes, they should be documented and disseminated to all affected personnel.

Status of as June 30, 2017
During our 2017 audit, we noted purchases tested above $10,000 were approved by the Board President; however, we noted on September 16, 2016 a bank account was closed without board approval.

* * * * *

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This communication is intended solely for the information and use of Management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the Charter School's financial statements. Should you have any questions or comments, please contact Michelle Cain or Kate Welc.

Very truly yours,

Mengel, Metzger, Barr & Co. LLP

MENGEL, METZGER, BARR & CO. LLP

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