

I. SCHOOL INFORMATION AND COVER PAGE

Created Tuesday, July 30, 2013

Updated Wednesday, July 31, 2013

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1. SCHOOL NAME

(Select School name from dropdown menu; BEDS # appears first)

310500860894 DEMOCRACY PREP CS

2. CHARTER AUTHORIZER

NYCDOE-Authorized Charter School

3. DISTRICT / CSD OF LOCATION

NYC CSD 5

4. SCHOOL INFORMATION

PRIMARY ADDRESS	PHONE NUMBER	FAX NUMBER	EMAIL ADDRESS
222 West 134th Street, New York, NY 10030	212-281-1248	212-281-4202	kduffy@democracyprep.org and cc: bfeit@democracyprep.org

4a. PHONE CONTACT NUMBER FOR AFTER HOURS EMERGENCIES

4a. PHONE CONTACT NUMBER FOR AFTER HOURS EMERGENCIES Contact Name	Benjamin Feit
4a. PHONE CONTACT NUMBER FOR AFTER HOURS EMERGENCIES Title	Deputy Chief of Staff
4a. PHONE CONTACT NUMBER FOR AFTER HOURS EMERGENCIES Emergency Phone Number (###-###-####)	

5. SCHOOL WEB ADDRESS (URL)

www.democracyprep.org

6. DATE OF INITIAL CHARTER

2005-10-01 00:00:00

7. DATE FIRST OPENED FOR INSTRUCTION

2006-08-01 00:00:00

8. TOTAL NUMBER OF STUDENTS ENROLLED IN 2012-13 (as reported on BEDS Day)

(as reported on BEDS Day)

691

9. GRADES SERVED IN SCHOOL YEAR 2012-13

Check all that apply

- 6
- 7
- 8
- 9
- 10
- 11
- 12

10. DOES THE SCHOOL CONTRACT WITH A CHARTER OR EDUCATIONAL MANAGEMENT ORGANIZATION?

Yes/No	Name of CMO/EMO
Yes	Democracy Prep Public Schools

10a. Please provide the name and contact information for each of the following individuals who are management level personnel associated with the CMO.

	Name	Work Phone	Alternate Phone	Email Address	Contact this individual also in emergencies
CEO (e.g., network superintendent)	Katie Duffy	[REDACTED]	[REDACTED]	[REDACTED]	No
CFO (e.g., network CFO)					
Compliance Contact	Benjamin Feit	[REDACTED]			Yes
Complaint Contact					

11. FACILITIES

Will the School maintain or operate multiple sites?

Yes, 2 sites

12. SCHOOL SITES

Please list the sites where the school will operate in 2013-14.

	Physical Address	Phone Number	District/ CSD	Grades Served at Site	School at Full Capacity at Site	Facilities Agreement
Site 1 (same as primary site)	i. Democracy Prep Charter High School, 222 West 134th Street, New York, NY 10030	212-281-3061	CSD 5	9, 10, 11, 12	Yes	DOE space
Site 2	2230 Fifth Avenue, New York, NY 10037	212-281-8247	CSD 5	6, 7, 8	Yes	DOE space
Site 3						

12a. Please provide the contact information for Site 1 (same as the primary site).

	Name	Work Phone	Alternate Phone	Email Address
School Leader	Natasha Trivers	[REDACTED]		[REDACTED]
Operational Leader				
Compliance Contact				
Complaint Contact				

12b. Please provide the contact information for Site 2.

	Name	Work Phone	Alternate Phone	Email Address
School Leader	Tanya Nunez	[REDACTED]		[REDACTED]
Operational Leader				
Compliance Contact				
Complaint Contact				

13. Are the School sites co-located?

Yes

13a. Please list the terms of your current co-location.

Date School will leave current co-location	Is school working with NYCDOE to expand into current space?	If so, list year expansion will occur.	Is school working with NYCDOE to move to separate space?	If so, list the proposed space and year planned for move	School at Full Capacity at Site

Site 1 (primary site)	No	No	Yes
Site 2	No	No	Yes
Site 3			

14. Were there any revisions to the school's charter during the 2012-2013 school year? (Please include both those that required authorizer approval and those that did not require authorizer approval).

Yes

15. Summary of Charter Revisions

	Category (Select Best Description)	Specific Revision (150 word limit)	Date Approved by BOT (if applicable)	Date Approved by Authorizer (if applicable)
1	Change in Grade Level Configuration	Democracy Prep Charter School applied for and received authorization to expand to serve grades k-5.	1/15/13	2/2013
2				
3				
4				
5				

16. Our signatures below attest that all of the information contained herein is truthful and accurate and that this charter school is in compliance with all aspects of its charter, and with all pertinent Federal, State, and local laws, regulations, and rules. We understand that if any information in any part of this report is found to have been deliberately misrepresented, that will constitute grounds for the revocation of our charter. Check **YES** if you agree and use the mouse on your PC or the stylus on your mobile device to sign your name).

• Yes

Signature, Head of Charter School



Signature, President of the Board of Trustees

Thank you.

Signature Page for President of Board of Trustees

Created Thursday, August 01, 2013

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310500860894 DEMOCRACY PREP CS

16. My signature below attest that all of the information contained herein is truthful and accurate and that this charter school is in compliance with all aspects of its charter, and with all pertinent Federal, State, and local laws, regulations, and rules. We understand that if any information in any part of this report is found to have been deliberately misrepresented, that will constitute grounds for the revocation of our charter. Check **YES** if you agree and use the mouse on your PC or the stylist on your mobile device to sign your name).

- Yes
-

Signature, Board President

A handwritten signature in black ink, consisting of a stylized first name and a last name, written in a cursive-like style.

Thank you.

Appendix A: Progress Toward Goals

Created Monday, October 21, 2013

Updated Friday, November 01, 2013

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Charter School Name: 310500860894 DEMOCRACY PREP CS

1. NEW YORK STATE REPORT CARD

Provide a direct URL or web link to the most recent New York State School Report Card for the charter school (See <https://reportcards.nysed.gov/>).

(Charter schools completing year one will not yet have a School Report Card or link to one. Please type "URL is not available" in the space provided).

<https://reportcards.nysed.gov/files/2011-12/RC-2012-310500860894.pdf>

2. APPENDIX A: PROGRESS TOWARD CHARTER GOALS

2a. ACADEMIC STUDENT PERFORMANCE GOALS

If the Progress Toward Charter Goals are based on student performance data that the school will not have access to by August 1, 2013 (e.g., the NYS Assessment results), please list goals and explain this in the "Progress Towards Attainment" column. This information can be updated for Appendix A when available but no later than November 1, 2013. Board of Regents-authorized charter schools that opened for instruction in the fall of 2012 or that were renewed in 2012-13 will be held to the same charter-specific academic goals. Board of Regents-authorized charter schools will also be held accountable to Student Performance Benchmark 1 of the Performance Framework.

2012-13 Progress Toward Attainment of Academic Goals

	Academic Student Performance Goal	Measure Used to Evaluate Progress	2012-2013 Progress Toward Attainment	If Not Met, Describe Efforts to be Taken
Academic Goal 1	Each year, 75% of 6th -8th graders who have been at the School on BEDS day for at least two consecutive years will perform at or above level 3 on the New York State English Language Arts Exam.	New York State English Language Arts Exam	With the introduction of Common Core State Standards in 2012-2013, Democracy Prep Charter School did not achieve absolute goals of 75% proficiency or higher on the New York State ELA exam. Democracy Prep Charter School achieved State Exam results similar to other schools in the district, suggesting that performance did not decline so much as the bar was raised dramatically.	We have spent the summer refining our scope and sequence documents, particularly for Reading Comprehension, Textual Analysis and Writing, to align our work with the Common Core State Standards shifts. We have redesigned our curricular standards in order to ensure that there is closer alignment between our internal curricular standards and the established Common Core State Standards (CCSS). We have also redesigned our internal assessments and

kept them away from teachers in order to mimic the testing experience with the scholars. Our major push is building knowledge in a cohesive and coherent way, drawing from the Core Knowledge curriculum. Instead of focusing solely on strategies using unrelated reading passages, we will now use Knowledge Domain specific readings, aligned to scientific and history content knowledge, built over time and taught to a standard. In writing, we previously utilized more narrative-based, inward-focused assignments and skills. Now, we are focused more on expository, opinion-based writing. The writing rubric shifts to align to CCSS and will be more objectively written.

Academic Goal 2	Each year, 75% of 6th -8th graders who have been at the School on BEDS day for at least two consecutive years will perform at or above level 3 on the New York State Math Exam.	New York State Math Exam	<p>With the introduction of Common Core State Standards in 2012-2013, Democracy Prep Charter School did not achieve absolute goals of 75% proficiency or higher on the New York State Math exam.</p> <p>Democracy Prep Charter School achieved State Exam results similar to other schools in the district, suggesting that performance did not decline so much as the bar was raised dramatically.</p>	<p>Our goal is to have students demonstrate proficiency in Mathematics. Moving forward, we have redesigned our curricular standards in order to ensure that there is closer alignment between our internal curricular standards and the established common core standards. Additionally, we have added Assistant Superintendents charged with ensuring consistent delivery of academic systems, including internal and external assessments. Assistant Superintendent will coach Campus Directors, provide professional development for them, and push them to use their time appropriately. We have Academic Specialists who will provide additional coaching for teachers that is subject specific and pedagogically focused. Academic Specialists will also provide monthly professional development sessions for teachers in their content areas.</p>
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Academic Goal 3	Each year, 75% of 8th graders who have been at the School on BEDS day for at least two consecutive years will perform at or above level 3 on the New York State Science Exam.	New York State Science Exam	Goal met.	
Academic Goal 4	Each Year, 75% of 8th graders who have been at the School on BEDS day for at least two consecutive years will perform at or above level 3 on the New York State Social Studies Exam.	New York State Social Studies Exam	N/A	
Academic Goal 5	For years 2 through 5 of Democracy Prep Charter School, grade-level cohorts of the same students (i.e. students who are in the school for two years in a row) will reduce by one-half the gap between the percent at or above Level 3 on the previous year's State ELA exam and 75 percent at or above Level 3 on the current year's State ELA exam.	New York State English Language Arts Exam	<p>With the introduction of Common Core State Standards in 2012-2013, Democracy Prep Charter School did not achieve this goal.</p> <p>Democracy Prep Charter School achieved State Exam results similar to other schools in the district, suggesting that performance did not decline so much as the bar was raised dramatically.</p>	<p>We have spent the summer refining our scope and sequence documents, particularly for Reading Comprehension, Textual Analysis and Writing, to align our work with the Common Core State Standards shifts. We have redesigned our curricular standards in order to ensure that there is closer alignment between our internal curricular standards and the established Common Core State Standards (CCSS). We have also redesigned our internal assessments and kept them away from teachers in order to mimic the testing experience with the scholars. Our major push is building knowledge in a cohesive and coherent way, drawing from the Core Knowledge curriculum. Instead of focusing solely on strategies using unrelated reading passages, we will now use Knowledge Domain specific readings, aligned to scientific and history content knowledge, built over time and taught to a standard. In writing, we previously utilized more narrative-based, inward-focused assignments and skills. Now, we are focused more on expository, opinion-based writing. The writing rubric shifts to align to CCSS and will be more objectively written.</p>

Academic Goal 6	Each year, the percent of students performing at or above level 3 on the New York State ELA Exam in each tested grade will, in the majority of grades, exceed the average performance of students tested in the same grades of Community School District 5.	Measured by an analysis of performance of CSD 5 conducted by the Department of Education.	Goal met.
Academic Goal 7	Each year, the percent of students performing at or above level 3 on the New York State Math Exam in each tested grade will, in the majority of grades, exceed the average performance of students tested in the same grades of Community School District 5.	Measured by an analysis of performance of CSD 5 conducted by the Department of Education.	Goal met.
Academic Goal 8	Democracy Prep Charter School will be deemed “In Good Standing” each year for annual yearly progress.		Goal met.

2a1. Do have more academic goals to add?

Yes

2012-13 Progress Toward Attainment of Academic Goals

	Academic Student Performance Goal	Measure Used to Evaluate Progress	2012-2013 Progress Toward Attainment	If Not Met, Describe Efforts to be Taken
Academic Goal 9	Each year, Democracy Prep Charter School will earn a score sufficient to place it in the 75th percentile of all schools on the citywide Progress Report.	New York City Progress Reports	Progress report results have not yet been released to the general public. Consequently we are not able to report on our progress towards this goal as of the due date of this report.	
Academic Goal 10	Each year, 75% of students enrolled in grades 9-12 will accumulate 10 or more credits towards graduation.	New York City Progress Reports metric: Percentage Earning 10+ Credits per year	Goal met.	
Academic Goal 11	(b)(6) By the end of year 2 of the second term of the charter, 75% of the first cohort will have scored at least 65 on the New York State Regents examinations in ELA.	New York State Regents examinations in ELA	Goal met.	
Academic Goal 12	By the end of year 2 of the second term	New York State Regents examination	Goal met.	

	of the charter, 75% of the first cohort will have scored at least 65 on a New York State Regents examination in Math.	in Math		
Academic Goal 13	By the end of year 2 of the second term of the charter, 75% of the initial cohort will have scored at least 65 on the New York State Regents examinations in Science (Living Environment, Chemistry, or other).	New York State Regents examinations in Science	Goal met.	
Academic Goal 14	By the end of year 2 of the second term of the charter, 75% of the initial cohort will have scored at least 65 on the New York State Regents examinations in History (Global Studies or U.S. History).	New York State Regents examinations in History	Goal met.	
Academic Goal 15	Each year, the average performance of students in the 10th grade will exceed the state average on the PSAT tests in Critical Reading and Mathematics. It is expected that the participation rate for this test will be 75% or greater.	PSAT tests in Critical Reading and Mathematics	Goal partially met.	We observed that some of our students did not understand the significance of performing well on PSAT; it is not required for college admissions, does not affect GPA and is not a graduation requirement. As a result, some of our scholars did not prepare for and take the test with the same level of urgency with which they would take other assessments. Due to this, our students performance on the PSAT belies their true aptitude and academic preparation. Our strategy to increase PSAT results combines properly messaging the importance of the PSAT to our students AND providing intense test prep advance of the test.
Academic Goal 16	Each year, the average performance of students in the 12th grade will exceed the state average on the SAT or ACT tests in Reading and Mathematics. It is expected that the participation rate for this test will be 75% or greater.	SAT or ACT tests in Reading and Mathematics	Goal partially met.	Our upperclassmen understand the significance of the SAT and ACT and are motivated to perform well on these tests. However, the demographic we serve traditionally score lower than the national average without intense test prep. To prepare our scholars for success on the SAT and ACT, we integrate test prep into the high school curriculum and

provide additional instructional time after school and on the weekends to bolster essential skills. In the short term, we have seen moderate increases on individual test sections and expect to continue to see improvements in test scores as our test prep strategy matures.

2a2. Do have more academic goals to add?

Yes

2012-13 Progress Toward Attainment of Academic Goals

	Academic Student Performance Goal	Measure Used to Evaluate Progress	2012-2013 Progress Toward Attainment	If Not Met, Describe Efforts to be Taken
Academic Goal 17	75% of students who graduate within 5 years will graduate with an Advanced Regents Diploma.		Goal met.	

2b. ORGANIZATIONAL GOALS

2012-13 Progress Toward Attainment of Organizational Goals

	Organizational Goal	Measure Used to Evaluate Progress	2012-2013 Progress Toward Attainment	If Not Met, Describe Efforts to be Taken
Org Goal 1	Democracy Prep will prepare students for success in college and a life of active democratic citizenship.	The measurement of these goals includes community service data, interscholastic competition results, and metrics of school behavior and citizenship. Additionally, academic metrics, earned visits to colleges, letters of acceptance, and percentage of graduates attending a four year college.	Goal met.	
Org Goal 2	Each year Democracy Prep will maintain a waiting list of at least 25% of our available seats.	Internal enrollment data.	Goal met.	
Org Goal 3	Each year Democracy Prep will have a mobility rate that is 10% less than the district.	Internal enrollment data, district enrollment data.	Data not available.	
Org Goal 4	Each year Democracy Prep will have an average daily attendance rate of 95% or better for students and staff.	Attendance data gathered and analyzed over the course of the school year.	Goal met.	
Org Goal 5	Each year Democracy Prep will garner an 80% satisfaction rate from families.	Based on the NYC School Survey 2012-2013 Report	Goal met.	

2b.1 Do you have more organizational goals to add?

Yes

2012-13 Progress Toward Attainment of Organizational Goals

	Organizational Goal	Measure Used to Evaluate Progress	2012-2013 Progress Toward Attainment	If Not Met, Describe Efforts to be Taken
Org Goal 6	Each year, Democracy Prep will have a negative attrition rate of 10% or less.	Internal enrollment data.	Goal met.	

2c. FINANCIAL GOALS

2012-13 Progress Toward Attainment of Financial Goals

	Financial Goals	Measure Used to Evaluate Progress	2012-2013 Progress Toward Attainment	If Not Met, Describe Efforts to be Taken
Financial Goal 1	We will continue to operate with a surplus each year and maintain the highest standards of financial controls, management, and auditing.	External audit.	Goal met.	

Total Expenditures and Administrative Expend

Democracy Prep Charter Sch
6/30/2013

Total Number of Enrolled Students (FTE):

	Total Expenditures
Total :	\$ 10,571,224.36
Expenditures Per Pupil:	\$ 15,907.34

Expenditures Per Child

Pool

664.550

**Administrative
Expenditures**

\$ 1,631,991.35

\$ 2,455.78

Audited Financial Statement Checklist

Created Friday, October 25, 2013
Updated Friday, November 01, 2013

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Charter School Name:

1. Please check each item that is included in the 2012-13 Audited Financial Statement submitted for your charter school.

	Yes	No	NA
Audited Financial Statements (including report on compliance and report on internal control over financial reporting)	True	False	False
Single Audit (if applicable)	False	False	False
CSP Agreed Upon Procedures (if applicable)	False	False	False
Management Letter	True	False	False
Report on Extracurricular Student Activity Accounts (if applicable)	False	False	False
Corrective Action Plans for any Findings	False	False	False

2. Please indicated if there is a finding(s) noted in any of the following sections of your charter school's 2012-13 Audited Financial Statement.

	Yes	No
Report on Compliance	False	False
Report on Internal Control over Financial Reporting	False	False
Single Audit	False	False
CSP Agreed Upon Procedures Report	False	False
Management Letter	False	False

Thank you Maribeth .

DEMOCRACY PREPARATORY CHARTER SCHOOL
(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

DEMOCRACY PREPARATORY CHARTER SCHOOL
(A Not-For-Profit Corporation)
FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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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
DEMOCRACY PREPARATORY CHARTER SCHOOL

Report on the Financial Statements

We have audited the accompanying financial statements of Democracy Preparatory Charter School (the "School") (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2013, 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 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.

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, 2013, 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 2012 financial statements, and our report dated October 29, 2012, 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, 2012, 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 28, 2013, 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 28, 2013

DEMOCRACY PREPARATORY CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,191,133	\$ 945,208
Grants and contracts receivable	156,627	197,831
Due from related parties	680,304	526,620
Prepaid expenses	36,396	61,823
Total current assets	2,064,460	1,731,482
Property and equipment, net of accumulated depreciation and amortization of \$842,676 and \$598,513, respectively	885,624	861,963
Security deposit	300,000	300,000
Restricted cash	71,061	70,864
	\$ 3,321,145	\$ 2,964,309
TOTAL ASSETS	\$ 3,321,145	\$ 2,964,309
 LIABILITIES AND UNRESTRICTED NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 828,985	\$ 539,509
Accrued payroll and payroll taxes	398,834	393,292
Refundable advances	20,290	-
Total current liabilities	1,248,109	932,801
Deferred rent	259,149	372,710
Total liabilities	1,507,258	1,305,511
Unrestricted net assets	1,813,887	1,658,798
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$ 3,321,145	\$ 2,964,309

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

DEMOCRACY PREPARATORY CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2013	2012
Revenue and support:		
State and local per pupil operating revenue	\$ 10,069,762	\$ 8,463,156
Federal grants	259,108	262,247
Federal E-rate	302,642	48,272
State and city grants	50,657	42,554
Contributions and grants	454,417	172,666
Fundraising	133,105	68,158
Rental income	390,925	-
Donated services	-	390,393
Interest and other income	5,879	19,674
Total revenue and support	11,666,495	9,467,120
Expenses:		
Program services:		
Regular education	8,760,968	7,126,463
Special education	1,437,750	950,117
Total program services	10,198,718	8,076,580
Supporting services:		
Management and general	1,215,293	1,195,462
Fundraising	97,395	107,743
Total expenses	11,511,406	9,379,785
Changes in net assets	155,089	87,335
Unrestricted net assets - beginning of year	1,658,798	1,571,463
Unrestricted net assets - end of year	\$ 1,813,887	\$ 1,658,798

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

DEMOCRACY PREPARATORY CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in unrestricted net assets	\$ 155,089	\$ 87,335
Adjustments to reconcile changes in unrestricted net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	244,163	223,240
Changes in certain assets and liabilities:		
Decrease in grants and contracts receivable	41,204	194,243
(Increase) in due from related parties	(153,684)	(331,318)
Decrease (Increase) in prepaid expenses	25,427	(28,379)
(Increase) in restricted cash	(197)	(230)
Increase in accounts payable and accrued expenses	289,476	16,226
Increase (Decrease) in accrued payroll and payroll taxes	5,542	(74,574)
Increase in refundable advances	20,290	-
(Decrease) in deferred rent	(113,561)	(91,656)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	513,749	(5,113)
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(267,824)	(84,696)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	245,925	(89,809)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	945,208	1,035,017
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,191,133	\$ 945,208

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

DEMOCRACY PREPARATORY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Nature of Organization

Democracy Preparatory Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on December 9, 2005 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 December 9, 2005 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. During 2010, the Board of Regents extended the School's charter through June 30, 2015. The School is dedicated to providing a high quality college preparatory education to primarily disadvantaged students. Classes commenced in Harlem, New York, in August 2007, and the School provided education to approximately 665 students in grades sixth through twelfth during the 2012-2013 academic year.

Food Services

The New York City Department of Education provides free lunches 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 net unrelated business income for the years ended June 30, 2013 and 2012.

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 positions resulting in an accrual of tax expense or benefit.

IRS forms 990 filed by the School are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Forms 990 filed by the School are no longer subject to examination for the years ended June 30, 2009 and prior.

DEMOCRACY PREPARATORY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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 statements 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, 2013 and 2012.

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 government resulting from the School’s charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

DEMOCRACY PREPARATORY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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 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.

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.

Property and Equipment

Purchased property and equipment are recorded at cost. Maintenance and repairs are expensed as incurred. Depreciation and amortization is provided on the straight line method over the estimated useful lives as follows:

Equipment	5 years
Furniture and fixtures	7 years
Software	3 years
Leasehold improvements	20 years

Refundable Advances

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

DEMOCRACY PREPARATORY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

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 2012 financial statements from which the summarized information was derived.

Reclassifications

Certain 2012 accounts have been reclassified to conform to the 2013 financial statement presentation. The reclassifications have no effect on 2012 total assets, liabilities, net assets and changes in net assets.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of federal 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,:

	2013	2012
Equipment	\$ 508,877	\$ 504,856
Furniture and fixtures	700,857	525,271
Software	71,770	64,695
Leasehold improvements	446,796	365,654
	1,728,300	1,460,476
Less: Accumulated depreciation and amortization	842,676	598,513
	\$ 885,624	\$ 861,963

Depreciation and amortization expense was \$244,163 and \$223,240 for the years ended June 30, 2013 and 2012, respectively.

NOTE 4 - RELATED PARTY TRANSACTIONS

Democracy Preparatory Charter School ("DPCS") is affiliated with three charter schools: Democracy Preparatory Harlem Charter School ("DPH"), Harlem Prep Charter School ("HPCS"), and Democracy Prep Endurance Charter School ("DPE"), all New York State not-for-profit organizations and managed by Democracy Prep Public Schools ("DPPS").

DEMOCRACY PREPARATORY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 4 - RELATED PARTY TRANSACTIONS (Continued)

The School is an affiliate of DPPS, a New York State not-for-profit charter management organization. The School entered into a management agreement with DPPS to assume responsibility for the School’s educational process, management and operations. As compensation to DPPS for these services rendered, the School shall pay to DPPS an annual fee equal to 13% of the School’s non-competitive public revenue in the initial term. The initial term is for one year beginning July 1, 2010 and ending June 30, 2011. The percentage will decrease by one-half percent (0.5%) in each renewal term until it reaches a minimum of 12% of the non-competitive public revenue of the School and will remain in effect for all subsequent renewal terms. Following the initial term, the agreement will automatically extend for successive one-year periods unless terminated by either party.

For the years ended June 30, 2013 and 2012, the School incurred \$1,239,464 and \$1,090,675 in management fees, respectively.

For operational efficiency and purchasing power, the School shares expenses with the related charter schools and charter management organization. The School billed for net shared operational expenses for the years ended June 30,:

	2013	2012
DPPS	\$ 592,935	\$ 347,604
DBI	93,845	24,642
HPCS	166,223	66,272
DPH	177,988	111,203
	\$ 1,030,991	\$ 549,721

The School is an affiliate of Democracy Builders, Inc. (“DBI”), a 501(c)(4) national advocacy organization that organizes parents to advocate for better school choices and educational outcomes for the children in their communities. The School entered into a consulting agreement with DBI to conduct charitable, scientific and educational activities. For the years ended June 30, 2013 and 2012, the School incurred \$99,138 and \$80,000 in consulting fees, respectively.

Effective July 1, 2012, the School entered into a sub-sublease agreement with DPH for use of office and classroom facilities at St. Philips Church (see note 9).

DEMOCRACY PREPARATORY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 4 - RELATED PARTY TRANSACTIONS (Continued)

The net balance due from (to) related parties consists of the following at June 30,:

	2013	2012
DPPS	\$ 686,293	\$ 325,337
DBI	93,703	24,642
HPCS	(49,144)	87,498
DPH	(87,102)	89,143
DPE	36,554	-
Net balance due from (to) related parties	\$ 680,304	\$ 526,620

NOTE 5 - 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 6 - 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 7 - 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 8 - DONATED SERVICES

Donated services are recognized as contributions in accordance with FASB ASC 605, "Accounts for Contributions Received and Contributions Made," if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School.

One entity has provided legal services to the School at no charge. The value of these services meets the criteria for recognition in the financial statements and was recorded at fair value of \$-0- and \$390,393 for the years ended June 30, 2013 and 2012, respectively.

DEMOCRACY PREPARATORY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 9 - COMMITMENTS

School Facility

On October 1, 2007, the School entered into a triple-net sublease agreement with Civic Builders Property Holding Corp. ("Sub-landlord") for new facilities at St. Philips Church. The School also entered into license agreements for the use of the undercroft, the elevator and additional classroom space. On August 25, 2008, the School occupied the space. The sublease provides that the School pays a monthly base rent plus triple-net charges for the School's share of expenses related to the lease property. The term of the sublease is twenty two years from the commencement date.

Commencing on November 1, 2009, and on each subsequent November 1, the School shall pay the Sub-landlord the lesser of 50% of any School surplus (shown on the annual audited financial statements of the School for the immediately prior fiscal year), or any amount equal to 3/7th of the principal amount of the equity investment made by the Sub-landlord as of the date of final completion of Tenant's work. For the years ended June 30, 2013 and 2012, the School incurred \$155,088 and \$87,334, respectively, in connection with the 50% surplus payment to the Sub-landlord which is included in accounts payable and accrued expenses in the statements of financial position.

Future minimum lease payments are as follows:

Year ending June 30, 2014	\$ 830,656
2015	828,264
2016	3,527,769
2017	300,577
2018	320,007
Thereafter	<u>4,725,841</u>
	<u>\$ 10,533,114</u>

The School recognizes rent expense on a straight-line basis. Rent expense in excess of payments is recorded as deferred rent in the accompanying statements of financial position. Rent expense under the operating lease for the years ended June 30, 2013 and 2012 amounted to \$1,164,240 and \$983,434, respectively.

DEMOCRACY PREPARATORY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 9 - COMMITMENTS (Continued)

Effective July 1, 2012, the School entered into a sub-sublease agreement with DPH (a related party, see note 4) for use of office and classroom facilities at St. Philips Church (207 West 133rd Street). The rent payments are based on a fraction, determined annually for each rent year and expressed as a percentage, the numerator of which is the number of students of DPH during the rent year, and the denominator of which is the aggregate number of students at both the School and DPH during the rent year. The number of students is determined by the New York City Department of Education as of the end of the rent year for purposes of reconciling school funding allocations. DPH is also responsible for utilities and other building costs. The term shall end on the earlier of June 30, 2017, or the date on which the sublease agreement is terminated by either party. Rental income was \$390,925 and \$-0- for the years ended June 30, 2013 and 2012, respectively. The School does not disclose the minimum future rent to be received due to the undetermined number of future students served.

Leased Equipment

The School leases office equipment under non-cancelable lease agreements expiring on various dates through September 2017.

The future minimum lease payments are as follows:

Year ending June 30, 2014	\$ 123,042
2015	109,807
2016	59,683
2017	41,584
2018	9,825
	<u>\$ 343,941</u>

Equipment rental expense was \$119,324 and \$76,644 for the years ended June 30, 2013 and 2012, respectively. During the year ending June 30, 2012, DPH, (a related party school by common management, see note 4), began to share the cost for one of the equipment leases.

NOTE 10 - RETIREMENT PLAN

The School maintains a retirement plan qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, the School will match employee contributions up to 5% of annual compensation. Employer match for the years ended June 30, 2013 and 2012 amounted to \$126,647 and \$139,285, respectively.

NOTE 11 - SUBSEQUENT EVENTS

The School has evaluated its subsequent events through October 28, 2013, the date that the accompanying financial statements were issued. The School has no material events requiring disclosure.

FRUCHTER ROSEN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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
DEMOCRACY PREPARATORY CHARTER SCHOOL

We have audited the financial statements of Democracy Preparatory Charter School as of and for the year ended June 30, 2013, and have issued our report thereon dated October 28, 2013, 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 28, 2013

DEMOCRACY PREPARATORY CHARTER SCHOOL
(A Not-For-Profit Corporation)
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30,

2013

	Program Services			Supporting Services			Total	2012
	Regular Education	Special Education	Total	Management and General	Fundraising	Total		
Salaries	\$ 4,419,538	\$ 725,306	\$ 5,144,844	\$ 421,379	\$ 9,085	\$ 5,575,308	\$ 4,450,581	
Employee benefits and payroll taxes	819,340	134,465	953,805	78,119	1,684	1,033,608	886,364	
Donated legal fees	-	-	-	-	-	-	390,393	
Audit fees	-	-	-	15,500	-	15,500	15,250	
Professional fees	8,244	1,353	9,597	146,917	23,428	179,942	112,279	
Management fees	745,325	122,300	867,625	309,866	61,973	1,239,464	1,090,675	
Professional development	145,420	23,864	169,284	8,027	173	177,484	149,017	
Advertising and recruiting	22,674	3,721	26,395	272	6	26,673	29,407	
Office supplies and instructional materials	1,058,343	173,664	1,232,007	22,798	-	1,254,805	559,729	
Conferences and meetings	-	-	-	1,873	-	1,873	11,952	
Food service	37,992	6,235	44,227	1,766	-	45,993	29,997	
Insurance	40,197	6,597	46,794	3,832	83	50,709	50,945	
Facility expense	832,872	136,685	969,557	81,122	-	1,050,679	983,434	
Repairs and maintenance	162,552	26,677	189,229	15,834	-	205,063	171,473	
Printing and postage	-	-	-	45,234	-	45,234	16,453	
Telephone and communication	274,924	45,119	320,043	26,211	565	346,819	200,968	
Travel	-	-	-	17,932	-	17,932	6,654	
Depreciation and amortization	193,547	31,764	225,311	18,454	398	244,163	223,240	
Miscellaneous	-	-	-	157	-	157	974	
Total	\$ 8,760,968	\$ 1,437,750	\$ 10,198,718	\$ 1,215,293	\$ 97,395	\$ 11,511,406	\$ 9,379,785	

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 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
DEMOCRACY PREPARATORY 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 Democracy Preparatory Charter School (the "School"), which comprise the statement of financial position as of June 30, 2013, 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 28, 2013.

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
DEMOCRACY PREPARATORY CHARTER SCHOOL

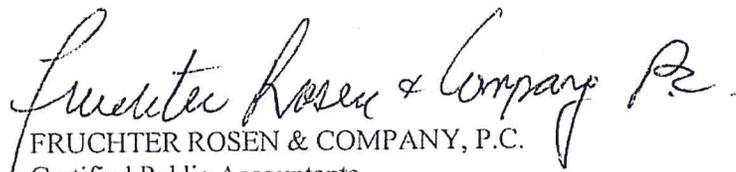
Compliance and Other Matters

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 28, 2013.

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 28, 2013

DEMOCRACY PREPARATORY CHARTER SCHOOL

MANAGEMENT LETTER

JUNE 30, 2013

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

October 28, 2013

Board of Trustees of
Democracy Preparatory Charter School
2230 5th Avenue
New York, NY 10030

In planning and performing our audit of the financial statements of Democracy Preparatory Charter School (the "School") as of and for the year ended June 30, 2013, 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 our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. 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 an observation for the year ended June 30, 2013 that we determined did not constitute a significant deficiency or material weakness. Exhibit II summarizes corrective actions not taken by the School during the year ended June 30, 2013 on prior year's observation. Management's response to the 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.

Board of Trustees of
Democracy Preparatory Charter School

This communication is intended solely for the information and use of management, Board of Trustees, federal, state and local awarding agencies, The Department of Education of the City of New York, The State Education Department of the State University of New York, and others within the School and is not intended to be and should not be used by anyone other than these specified parties.

We already discussed these comments and suggestions with management. We would be pleased to discuss these comments with you at greater length and assist you in the implementation of any of our recommendations should you desire.

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 28, 2013

DEMOCRACY PREPARATORY CHARTER SCHOOL
MANAGEMENT LETTER
JUNE 30, 2013

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EXHIBIT I – CURRENT YEAR OBSERVATION

- A. Incomplete Student Files 1

EXHIBIT II – CORRECTIVE ACTION NOT TAKEN ON PRIOR YEAR OBSERVATION

- B. Supporting Documentation for Credit Cards 2

DEMOCRACY PREPARATORY CHARTER SCHOOL
MANAGEMENT LETTER

EXHIBIT I – CURRENT YEAR OBSERVATION

A. INCOMPLETE STUDENT FILES

Observation

We noted the following exception during our test of 15 student files. 5 student files do not contain proof of residency

Recommendation

In an effort to ensure that student records are complete, we recommend developing a checklist that includes all required documentation. This checklist should be utilized periodically to insure that information is complete and updated for each student file.

Management's Response

Management recognizes the observation and agrees to update the current student record file checklist to reflect all required documents.

DEMOCRACY PREPARATORY CHARTER SCHOOL
MANAGEMENT LETTER

EXHIBIT I – CORRECTIVE ACTION NOT TAKEN ON PRIOR YEAR OBSERVATION

In conjunction with performing the audit of the School’s financial statements for the year ended June 30, 2013, we followed up on the status of implementation of audit recommendations made for the years ended June 30, 2012 and 2011. The status update on those matters is summarized below.

A. SUPPORTING DOCUMENTATION FOR CREDIT CARDS

Observation

During our 2011 and 2012 audits, we reviewed four monthly credit card statements issued to authorized School personnel. We noted that a substantial portion of credit card payments were not adequately supported by receipts, invoices, and other documentation.

Recommendation

To strengthen internal controls over disbursements, especially the credit card transactions, it is recommended that appropriate support be provided and maintained for all disbursements.

Current Year Status

During our 2013 audit, we reviewed four monthly credit card statements issued to authorized School personnel. Even though the School improved in maintaining adequate support for credit card receipts; there remains a significant portion that was not adequately supported by receipts, invoices, and other documentation.

Updated Management’s Response

Management recognizes the observation and agrees to improve our process to ensure improved documentation is provided for all credit card bills.

Appendix E: Disclosure of Financial Interest Form

Created Wednesday, July 31, 2013

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An Appendix E: Disclosure of Financial Interest Form must be completed for each active Trustee who served on the charter school's Board of Trustees during the 2012-13 school year. Trustees are at times difficult to track down in the summer months. Trustees may complete and submit at their leisure (but before the deadline) their individual form at: <http://fluidsurveys.com/surveys/vickie-smith/appendix-e-disclosure-of-financial-interest-form/>.

Trustees who are technologically advanced may complete the survey using their smartphones or other mobile devices by downloading the this bar code link to the survey <http://fluidsurveys.com/account/surveys/210748/publish/qrcode/>. (Make sure you have the bar code application reader on your phone).

If a Trustee is unable to complete the form by the deadline (i.e, out of the country), the school is responsible for submitting the information required on the form for that individual trustee.

Just send the links via email today to your Trustees requesting that they each complete their form as soon as possible.

Thank you.

Yes, each member of the school's Board of Trustees has received a link to the Disclosure of Financial Interest Form.

Yes

Thank you.

Appendix F: BOT Membership Table

Created Tuesday, July 30, 2013

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1. Current Board Member Information

	Full Name of Individual Trustees	Position on Board (Officer or Rep).	Voting Member	Area of Expertise &/or Additional Role	Terms Served & Length (include date of election and expiration)	Committee affiliations
1	Josh Pristaw	Chair/President	Yes		2 Terms Election: 2011 Expiration: 2014	Executive, Academic, Development
2	Damian Travier	Vice Chair/Vice President	Yes		3 Terms Election: 2010 Expiration: 2014	Executive, Family and Community Relations
3	Jessica Legget	Treasurer	Yes		6 Terms Election: 2007 Expiration: 2014	Executive, Finance
4	Greg Weston	Secretary	Yes		4 Terms Election: 2006 Expiration: 2014	Executive, Finance, Governance
5	Robert North	Member	Yes		1 Term Election: 2006 Expiration: 2014	Governance, Academic
6	Ken Weiller	Member	Yes		3 Terms Election: 2011 1 Term Election: 2012 Expiration: 2014	1 Term Election: 2012 Academic, Family and Community Relations
7	Lee Dunst	Member	Yes		3 Terms Election: 2011 Expiration: 2015	Finance, Academic
8	Dan Rosenberg	Member	Yes		3 Terms Election: 2015 Expiration: 2015	Development, Governance
9	Josh Morales	Member	Yes		2 Terms Election: 2011 Expiration: 2014	
10						
11						
12						
13						
14						
15						

16

17

18

19

20

2. Total Number of Members Joining Board during the 2012-13 school year

0

3. Total Number of Members Departing the Board during the 2012-13 school year

2

4. According to the School's by-laws, what is the maximum number of trustees that may comprise the governing board?

15

5. How many times did the Board meet during the 2012-13 school year?

10

6. How many times will the Board meet during the 2013-14 school year?

15

Thank you.

Appendix H: Enrollment and Retention Targets

Democracy Prep Charter School educates an appropriately high number of high-needs students. At DPCS Middle School, 85% of students are eligible for Free or Reduced Price Lunch (FRPL), 20% qualify for Special Education (SPED) services, 7% are English Language Learners (ELL), and 100% are Black or Latino. At DPCS High School, which reached full scale in the 2012-13 school year, 85% are eligible for FRPL, 10% qualify for SPED services, 1% is ELL, and 100% are Black or Latino. Across all grades, 85% are eligible for FRPL, 15% qualify for SPED services, 4% are ELL, and 100% are Black or Latino.

DPCS uses various outreach efforts to attract and retain students who are at risk of academic failure and will continue to adopt and implement new measures designed to sustain its comparatively large proportion of such students in 2013-14 and beyond. Specifically, DPCS contacts SPED instructors, ELL instructors, and guidance counselors in elementary and middle schools in Community School District 5 in order to identify high-needs students that could naturally feed into DPCS. Additionally, DPCS directly mails applications to all students in Upper Manhattan and the Bronx and canvasses each housing development in Upper Manhattan in order to drop off enrollment applications at each door irrespective of whether a school-aged student resides in that apartment. Native Spanish speakers accompany each canvasser to ensure that Spanish-speaking families are not precluded from applying.

Required Form: Appendix E - Disclosure of Financial Interest Form

Created Wednesday, July 31, 2013

<http://fluidsurveys.com/surveys/vickie-smith/appendix-e-disclosure-of-financial-interest-form/f0808524a18bac3b529d30b363>

Page 1

Please open the link to this form using **Google Chrome** as your browser. Doing so will allow you to input your signature on page 2 of the form. Thank you.

1. Trustee Name:

Lee Dunst

2. Charter School Name:

Democracy Preparatory Charter School

3. Charter Authorizer:

NYC Department of Education

4. *Your Home Address:

Variable	Response
4. *Your Home Address: Street Address	[REDACTED]
4. *Your Home Address: City/State	[REDACTED]
[REDACTED]	10028

5. *Your Business Address

Variable	Response
5. *Your Business Address Street Address	[REDACTED]
5. *Your Business Address City/State	[REDACTED]
5. *Your Business Address Zip	[REDACTED]

6. *Daytime Phone Number:

[REDACTED]

7. *E-mail Address:

8. Select all positions you held on Board:

(check all that apply)

-
- Other, please specify...: member
-

9. Are you a trustee and also an employee of the school?

No

10. Are you a trustee and an employee or agent of the management company or institutional partner of the charter school?

No

Page 2

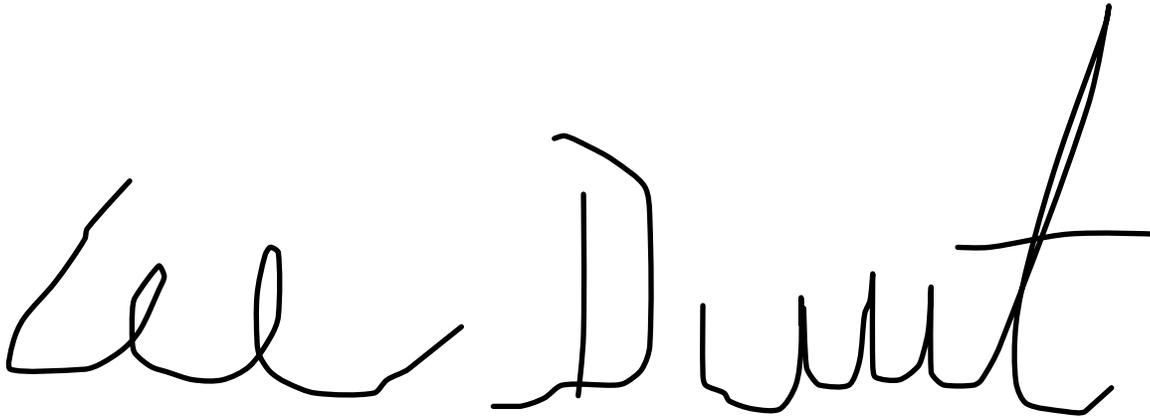
13. Have you or any of your immediate family members or any persons who live with you in your house had an interest in or engaged in a transaction with the charter school during the time you have served on the board, and in the six-month period prior to such service?

No

14. Are you a member, director, officer or employee of an organization formally partnered with school that is doing business with the charter school and in which such entity, during your tenure as a trustee, you and/or your immediate family member or person living in your house had a financial interest or relationship?

No

Signature of Trustee

A handwritten signature in black ink, appearing to read "Lee Dunt". The signature is written in a cursive style with a large, prominent "D" and a long, sweeping tail on the "t".

Required Form: Appendix E - Disclosure of Financial Interest Form

Created Wednesday, July 31, 2013

<http://fluidsurveys.com/surveys/vickie-smith/appendix-e-disclosure-of-financial-interest-form/1e4efed7570a361f54eae020030>

Page 1

Please open the link to this form using **Google Chrome** as your browser. Doing so will allow you to input your signature on page 2 of the form. Thank you.

1. Trustee Name:

Jessica Legget

2. Charter School Name:

Democracy Preparatory Charter School

3. Charter Authorizer:

NYC Department of Education

4. *Your Home Address:

Variable	Response
4. *Your Home Address: Street Address	N/A
4. *Your Home Address: City/State	(No response)
4. *Your Home Address: Zip	(No response)

5. *Your Business Address

Variable	Response
5. *Your Business Address Street Address	N/A
5. *Your Business Address City/State	(No response)
5. *Your Business Address Zip	(No response)

6. *Daytime Phone Number:

000-000-0000

7. *E-mail Address:

8. Select all positions you held on Board:

(check all that apply)

-
- Other, please specify...: Member
-

9. Are you a trustee and also an employee of the school?

No

10. Are you a trustee and an employee or agent of the management company or institutional partner of the charter school?

No

Page 2

13. Have you or any of your immediate family members or any persons who live with you in your house had an interest in or engaged in a transaction with the charter school during the time you have served on the board, and in the six-month period prior to such service?

No

14. Are you a member, director, officer or employee of an organization formally partnered with school that is doing business with the charter school and in which such entity, during your tenure as a trustee, you and/or your immediate family member or person living in your house had a financial interest or relationship?

No

Signature of Trustee

A handwritten signature in black ink, consisting of a series of loops and curves, appearing to be a stylized name or set of initials.

Required Form: Appendix E - Disclosure of Financial Interest Form

Created Wednesday, July 31, 2013

<http://fluidsurveys.com/surveys/vickie-smith/appendix-e-disclosure-of-financial-interest-form/6ade19965db68471764c074e96>

Page 1

Please open the link to this form using **Google Chrome** as your browser. Doing so will allow you to input your signature on page 2 of the form. Thank you.

1. Trustee Name:

Josh Morales

2. Charter School Name:

Democracy Preparatory Charter School

3. Charter Authorizer:

NYC Department of Education

4. *Your Home Address:

Variable	Response
4. *Your Home Address: Street Address	N/A
4. *Your Home Address: City/State	(No response)
4. *Your Home Address: Zip	(No response)

5. *Your Business Address

Variable	Response
5. *Your Business Address Street Address	N/A
5. *Your Business Address City/State	(No response)
5. *Your Business Address Zip	(No response)

6. *Daytime Phone Number:

000-000-0000

7. *E-mail Address:

8. Select all positions you held on Board:

(check all that apply)

-
- Other, please specify...: member
-

9. Are you a trustee and also an employee of the school?

No

10. Are you a trustee and an employee or agent of the management company or institutional partner of the charter school?

No

Page 2

13. Have you or any of your immediate family members or any persons who live with you in your house had an interest in or engaged in a transaction with the charter school during the time you have served on the board, and in the six-month period prior to such service?

No

14. Are you a member, director, officer or employee of an organization formally partnered with school that is doing business with the charter school and in which such entity, during your tenure as a trustee, you and/or your immediate family member or person living in your house had a financial interest or relationship?

No

Signature of Trustee

Required Form: Appendix E - Disclosure of Financial Interest Form

Created Wednesday, July 31, 2013

<http://fluidsurveys.com/surveys/vickie-smith/appendix-e-disclosure-of-financial-interest-form/093f942c61d6ade17490542733>

Page 1

Please open the link to this form using **Google Chrome** as your browser. Doing so will allow you to input your signature on page 2 of the form. Thank you.

1. Trustee Name:

Robert North

2. Charter School Name:

Democracy Preparatory Charter School

3. Charter Authorizer:

NYC Department of Education

4. *Your Home Address:

Variable	Response
4. *Your Home Address: Street Address	[REDACTED]
4. *Your Home Address: City/State	[REDACTED]
4. *Your Home Address: Zip	[REDACTED]

5. *Your Business Address

Variable	Response
5. *Your Business Address Street Address	[REDACTED]
5. *Your Business Address City/State	[REDACTED]
5. *Your Business Address Zip	[REDACTED]

6. *Daytime Phone Number:

[REDACTED]

7. *E-mail Address:

8. Select all positions you held on Board:

(check all that apply)

-
- Other, please specify...: member
-

9. Are you a trustee and also an employee of the school?

No

10. Are you a trustee and an employee or agent of the management company or institutional partner of the charter school?

No

Page 2

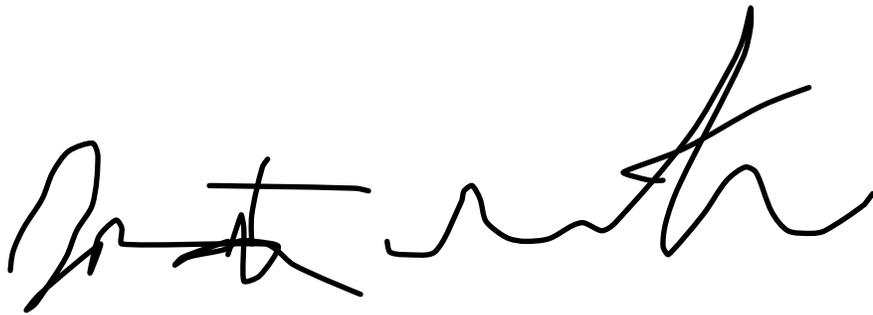
13. Have you or any of your immediate family members or any persons who live with you in your house had an interest in or engaged in a transaction with the charter school during the time you have served on the board, and in the six-month period prior to such service?

No

14. Are you a member, director, officer or employee of an organization formally partnered with school that is doing business with the charter school and in which such entity, during your tenure as a trustee, you and/or your immediate family member or person living in your house had a financial interest or relationship?

No

Signature of Trustee

A handwritten signature in black ink, appearing to be "Antonia", written in a cursive style.

Required Form: Appendix E - Disclosure of Financial Interest Form

Created Wednesday, July 31, 2013

<http://fluidsurveys.com/surveys/vickie-smith/appendix-e-disclosure-of-financial-interest-form/fdf606e08a361ea31b2885729fb>

Page 1

Please open the link to this form using **Google Chrome** as your browser. Doing so will allow you to input your signature on page 2 of the form. Thank you.

1. Trustee Name:

Joshua Pristaw

2. Charter School Name:

Democracy Preparatory Charter School

3. Charter Authorizer:

NYC Department of Education

4. *Your Home Address:

Variable	Response
4. *Your Home Address: Street Address	n/a
4. *Your Home Address: City/State	(No response)
4. *Your Home Address: Zip	(No response)

5. *Your Business Address

Variable	Response
5. *Your Business Address Street Address	n/a
5. *Your Business Address City/State	(No response)
5. *Your Business Address Zip	(No response)

6. *Daytime Phone Number:

██████████

7. *E-mail Address:

8. Select all positions you held on Board:

(check all that apply)

-
- Other, please specify...: member
-

9. Are you a trustee and also an employee of the school?

No

10. Are you a trustee and an employee or agent of the management company or institutional partner of the charter school?

No

Page 2

13. Have you or any of your immediate family members or any persons who live with you in your house had an interest in or engaged in a transaction with the charter school during the time you have served on the board, and in the six-month period prior to such service?

No

14. Are you a member, director, officer or employee of an organization formally partnered with school that is doing business with the charter school and in which such entity, during your tenure as a trustee, you and/or your immediate family member or person living in your house had a financial interest or relationship?

No

Signature of Trustee

A handwritten signature in black ink, appearing to be 'M. H. R.', written in a cursive style. The signature is positioned below the 'Signature of Trustee' label.

Required Form: Appendix E - Disclosure of Financial Interest Form

Created Wednesday, July 31, 2013

<http://fluidsurveys.com/surveys/vickie-smith/appendix-e-disclosure-of-financial-interest-form/a68985cbce71bd8f7cda8943b8>

Page 1

Please open the link to this form using **Google Chrome** as your browser. Doing so will allow you to input your signature on page 2 of the form. Thank you.

1. Trustee Name:

Daniel Rosenberg

2. Charter School Name:

Democracy Preparatory Charter School

3. Charter Authorizer:

NYC Department of Education

4. *Your Home Address:

Variable	Response
4. *Your Home Address: Street Address	[REDACTED]
4. *Your Home Address: City/State	[REDACTED]
4. *Your Home Address: Zip	[REDACTED]

5. *Your Business Address

Variable	Response
5. *Your Business Address Street Address	[REDACTED]y
5. *Your Business Address City/State	[REDACTED]
5. *Your Business Address Zip	[REDACTED]

6. *Daytime Phone Number:

[REDACTED]

7. *E-mail Address:

8. Select all positions you held on Board:

(check all that apply)

-
- Secretary
-

9. Are you a trustee and also an employee of the school?

No

10. Are you a trustee and an employee or agent of the management company or institutional partner of the charter school?

No

Page 2

13. Have you or any of your immediate family members or any persons who live with you in your house had an interest in or engaged in a transaction with the charter school during the time you have served on the board, and in the six-month period prior to such service?

No

14. Are you a member, director, officer or employee of an organization formally partnered with school that is doing business with the charter school and in which such entity, during your tenure as a trustee, you and/or your immediate family member or person living in your house had a financial interest or relationship?

No

Signature of Trustee

A handwritten signature in black ink, appearing to read "William W. Z.". The signature is written in a cursive style with large, sweeping letters. The first name "William" is written in a more formal cursive, while the second name "W. Z." is more stylized and abbreviated.

Required Form: Appendix E - Disclosure of Financial Interest Form

Created Wednesday, July 31, 2013

<http://fluidsurveys.com/surveys/vickie-smith/appendix-e-disclosure-of-financial-interest-form/ba548732afc7666770005de502>

Page 1

Please open the link to this form using **Google Chrome** as your browser. Doing so will allow you to input your signature on page 2 of the form. Thank you.

1. Trustee Name:

Damian Travier

2. Charter School Name:

Democracy Preparatory Charter School

3. Charter Authorizer:

NYC Department of Education

4. *Your Home Address:

Variable	Response
4. *Your Home Address: Street Address	[REDACTED]
4. *Your Home Address: City/State	[REDACTED]
4. *Your Home Address: Zip	[REDACTED]

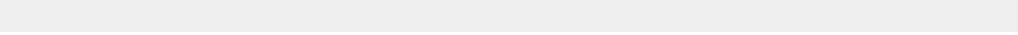
5. *Your Business Address

Variable	Response
5. *Your Business Address Street Address	[REDACTED]
5. *Your Business Address City/State	[REDACTED]
5. *Your Business Address Zip	[REDACTED]

6. *Daytime Phone Number:

[REDACTED]

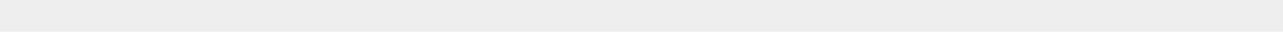
7. *E-mail Address:

 
8. Select all positions you held on Board:

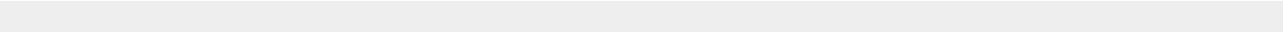
(check all that apply)

-
- Other, please specify...: member
-

9. Are you a trustee and also an employee of the school?

No 

10. Are you a trustee and an employee or agent of the management company or institutional partner of the charter school?

No 

Page 2

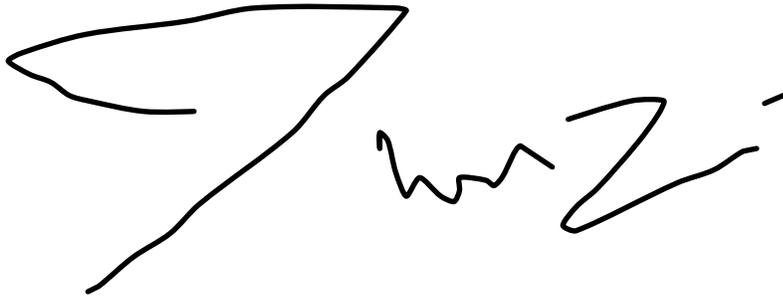
13. Have you or any of your immediate family members or any persons who live with you in your house had an interest in or engaged in a transaction with the charter school during the time you have served on the board, and in the six-month period prior to such service?

No

14. Are you a member, director, officer or employee of an organization formally partnered with school that is doing business with the charter school and in which such entity, during your tenure as a trustee, you and/or your immediate family member or person living in your house had a financial interest or relationship?

No

Signature of Trustee

A handwritten signature in black ink, consisting of a large, stylized initial 'P' followed by a cursive name that appears to be 'W. Z.'.

Required Form: Appendix E - Disclosure of Financial Interest Form

Created Wednesday, July 31, 2013

<http://fluidsurveys.com/surveys/vickie-smith/appendix-e-disclosure-of-financial-interest-form/203f1cd2f6250bfea04a7f74a49>

Page 1

Please open the link to this form using **Google Chrome** as your browser. Doing so will allow you to input your signature on page 2 of the form. Thank you.

1. Trustee Name:

Kenneth Weiller

2. Charter School Name:

Democracy Preparatory Charter School

3. Charter Authorizer:

NYC Department of Education

4. *Your Home Address:

Variable	Response
4. *Your Home Address: Street Address	[REDACTED]
4. *Your Home Address: City/State	[REDACTED]
4. *Your Home Address: Zip	[REDACTED]

5. *Your Business Address

Variable	Response
5. *Your Business Address Street Address	[REDACTED]
5. *Your Business Address City/State	[REDACTED]
5. *Your Business Address Zip	[REDACTED]

6. *Daytime Phone Number:

[REDACTED]

7. *E-mail Address:

8. Select all positions you held on Board:

(check all that apply)

-
- Other, please specify...: member
-

9. Are you a trustee and also an employee of the school?

No

10. Are you a trustee and an employee or agent of the management company or institutional partner of the charter school?

No

Page 2

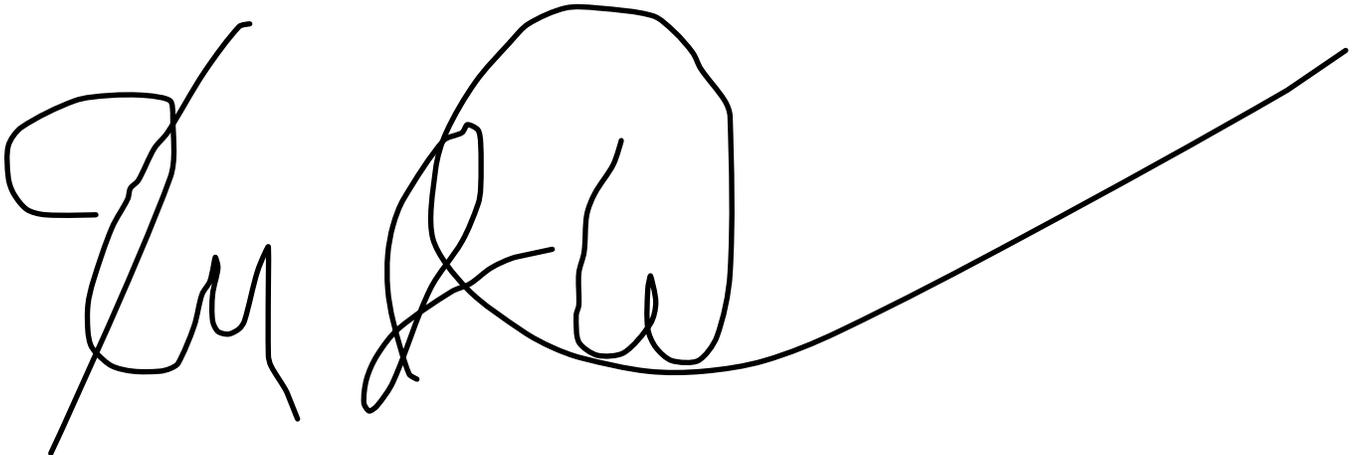
13. Have you or any of your immediate family members or any persons who live with you in your house had an interest in or engaged in a transaction with the charter school during the time you have served on the board, and in the six-month period prior to such service?

No

14. Are you a member, director, officer or employee of an organization formally partnered with school that is doing business with the charter school and in which such entity, during your tenure as a trustee, you and/or your immediate family member or person living in your house had a financial interest or relationship?

No

Signature of Trustee

A handwritten signature in black ink, consisting of a large, stylized initial 'M' followed by a large, rounded, and somewhat abstract shape, and a long, sweeping horizontal line extending to the right.

Required Form: Appendix E - Disclosure of Financial Interest Form

Created Wednesday, July 31, 2013

<http://fluidsurveys.com/surveys/vickie-smith/appendix-e-disclosure-of-financial-interest-form/ac7ba3d2f4f6d69f18bde38479a>

Page 1

Please open the link to this form using **Google Chrome** as your browser. Doing so will allow you to input your signature on page 2 of the form. Thank you.

1. Trustee Name:

Gregory Weston

2. Charter School Name:

Democracy Preparatory Charter School

3. Charter Authorizer:

NYC Department of Education

4. *Your Home Address:

Variable	Response
4. *Your Home Address: Street Address	[REDACTED]
4. *Your Home Address: City/State	[REDACTED]
4. *Your Home Address: Zip	[REDACTED]

5. *Your Business Address

Variable	Response
5. *Your Business Address Street Address	[REDACTED]
5. *Your Business Address City/State	[REDACTED]
5. *Your Business Address Zip	[REDACTED]

6. *Daytime Phone Number:

[REDACTED]

7. *E-mail Address:

8. Select all positions you held on Board:

(check all that apply)

-
- Other, please specify...: member
-

9. Are you a trustee and also an employee of the school?

No

10. Are you a trustee and an employee or agent of the management company or institutional partner of the charter school?

No

Page 2

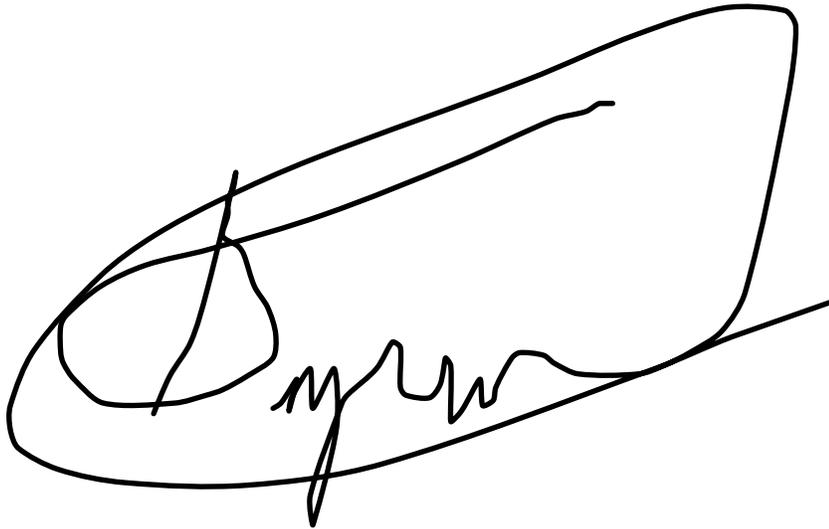
13. Have you or any of your immediate family members or any persons who live with you in your house had an interest in or engaged in a transaction with the charter school during the time you have served on the board, and in the six-month period prior to such service?

No

14. Are you a member, director, officer or employee of an organization formally partnered with school that is doing business with the charter school and in which such entity, during your tenure as a trustee, you and/or your immediate family member or person living in your house had a financial interest or relationship?

No

Signature of Trustee

A handwritten signature in black ink, enclosed within a large, irregular oval shape. The signature itself is cursive and appears to be a name, possibly starting with 'M' and 'W'. The entire signature and oval are contained within a light gray rectangular box.