

BELIEVE SOUTHSIDE CHARTER HIGH SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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INDEPENDENT AUDITORS' REPORT

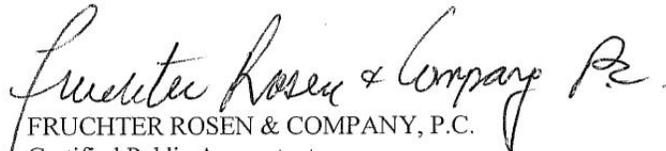
TO THE BOARD OF TRUSTEES
BELIEVE SOUTHSIDE CHARTER HIGH SCHOOL

We have audited the accompanying statements of financial position of Believe Southside Charter High School (the "School") (a not-for-profit corporation) as of June 30, 2011 and 2010, and for the related statements of activities, and cash flows for the year ended June 30, 2011, and for the period from January 13, 2009 (inception) to June 30, 2010. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior period summarized comparative information has been derived from the School's 2010 financial statements and in our report dated October 8, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the year ended June 30, 2011 and for the period from January 13, 2009 (inception) to June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2011 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 on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.


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

New York, New York
October 25, 2011

BELIEVE SOUTHSIDE CHARTER HIGH SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 117,936	\$ 250
Grants and contracts receivable	71,604	108,783
Due from related parties	90,089	34,742
Prepaid expenses and other current assets	463	14,588
Total current assets	280,092	158,363
Property and equipment, net of accumulated depreciation and amortization of \$40,797 and \$9,509, respectively	115,641	146,929
Restricted cash	75,146	139
TOTAL ASSETS	\$ 470,879	\$ 305,431
 LIABILITIES AND UNRESTRICTED NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 52,625	\$ 24,996
Accrued payroll and payroll taxes	17,439	18,462
Refundable advances	-	32,666
Bank overdraft	-	7,566
Total current liabilities	70,064	83,690
Unrestricted net assets	400,815	221,741
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$ 470,879	\$ 305,431

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

BELIEVE SOUTHSIDE CHARTER HIGH SCHOOL
STATEMENTS OF ACTIVITIES

	<u>For the year ended June 30, 2011</u>	<u>For the period from January 13, 2009 (inception) to June 30, 2010</u>
Revenue and support:		
State and local per pupil operating revenue	\$ 2,903,307	\$ 1,320,161
Federal grants	129,255	470,927
State and city grants	-	95,175
Donated services	28,600	-
Interest income	287	58
	<u>3,061,449</u>	<u>1,886,321</u>
 Total revenue and support	 <u>3,061,449</u>	 <u>1,886,321</u>
 Expenses:		
Program services		
Regular education	1,932,468	925,440
Special education	128,634	120,061
Total program services	<u>2,061,102</u>	<u>1,045,501</u>
Management and general	<u>821,273</u>	<u>619,079</u>
	<u>2,882,375</u>	<u>1,664,580</u>
 Total expenses	 <u>2,882,375</u>	 <u>1,664,580</u>
 Change in unrestricted net assets	 179,074	 221,741
 Unrestricted net assets - beginning of period	 <u>221,741</u>	 <u>-</u>
 Unrestricted net assets - end of period	 <u>\$ 400,815</u>	 <u>\$ 221,741</u>

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

BELIEVE SOUTHSIDE CHARTER HIGH SCHOOL
STATEMENTS OF CASH FLOWS

	<u>For the year ended June 30, 2011</u>	<u>For the period from January 13, 2009 (inception) to June 30, 2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 179,074	\$ 221,741
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	31,288	9,509
Changes in operating assets and liabilities:		
(Increase) in grants and contracts receivable	37,179	(108,783)
(Increase) in due from related parties	(55,347)	(34,742)
Decrease (Increase) in prepaid expenses and other current assets	14,125	(14,588)
Increase in accounts payable and accrued expenses	27,629	24,996
(Decrease) Increase in accrued payroll and payroll taxes	(1,023)	18,462
(Decrease) Increase in refundable advances	(32,666)	32,666
	<u>200,259</u>	<u>149,261</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(156,438)
(Increase) in restricted cash	(75,007)	(139)
	<u>(75,007)</u>	<u>(156,577)</u>
NET CASH (USED IN) INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITY		
Bank overdraft	(7,566)	7,566
	<u>117,686</u>	<u>250</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>250</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 117,936</u>	<u>\$ 250</u>

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

BELIEVE SOUTHSIDE CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Nature of Organization

Believe Southside Charter School (the "School") is a New York State, non-for-profit educational corporation that was incorporated on January 13, 2009 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on January 13, 2009, valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The School's mission is to provide a 9-12 educational program that results in mastery of the New York State Learning Standards, high school graduation, and acceptance to colleges and universities of choice by all students. In addition, the School will develop and maintain a school culture that endorses high expectations that challenge each student to recognize and achieve his/her full potential within a school environment that is nurturing, professional and that fosters within each student an appreciation for life-long learning. The School provided education to approximately 194 students in grades ninth and tenth during the 2010-2011 academic year.

The School shares space with a New York City public school beginning in August 2009. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services other than security related to the School's programs that take place outside the district's school day.

Food and Transportation

The New York City Department of Education provides free lunches directly to some of the School's students. Such costs are not included in these financial statements. The School covers the unreimbursed cost of lunches for children not entitled to the free lunches. The Office of Pupil Transportation provides free transportation to the majority of the students during the district's school days.

Tax Status

The School is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii). The School is subject to income taxes only on net unrelated business income. The School did not have any unrelated business income for the year ended June 30, 2011 and for the period from January 13, 2009 (inception) to June 30, 2010.

BELIEVE SOUTHSIDE CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Tax Status (Continued)

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.

Basis of Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board ("FASB") in its Accounting Standards Codification ("ASC") No. 958-205 which provides guidance for the classification of net assets. The amounts for each of the three classes of net assets are based on the existence or absence of donor-imposed restrictions described as follows:

Unrestricted

Net assets of the School whose use has not been restricted by an outside donor or by law. They are available for any use in carrying out the operations of the School.

Temporarily Restricted

Net assets of the School whose use has been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the School. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets, as net assets released from restrictions.

Permanently Restricted

Net assets of the School whose use has been permanently limited by donor-imposed restrictions. Such assets include contributions required to be invested in perpetuity, the income from which is available to support charitable purposes designated by the donors.

The School has no temporarily or permanently restricted net assets at June 30, 2011 and 2010.

BELIEVE SOUTHSIDE CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Revenue and Support

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value.

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

Use of Estimates

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

Cash and Cash Equivalents

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

Concentration of Credit Risk

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

Comparative Financial Information

The accompanying statements of activities and functional expenses are presented with summarized comparative information. Such prior year information is not presented by net asset class in the statement of activities or by functional category in the statement of functional expenses. Accordingly, such information should be read in conjunction with the School's 2010 financial statements from which the summarized information was derived.

BELIEVE SOUTHSIDE CHARTER HIGH SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011 AND 2010

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

Property and Equipment

Purchased property and equipment are recorded at cost. Maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding, whereas the government agency retains legal title to the long lived asset is expensed as incurred. Depreciation and amortization is provided on the straight line method over the estimated useful lives as follows:

Equipment	5 years
Software	3 years
Website	5 years

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution should it occur.

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.

Reclassifications

Certain 2010 accounts have been reclassified to conform to the 2011 financial statement presentation. The reclassifications have no effect on the 2010 total assets, liabilities, net assets and changes in net assets.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

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

NOTE 3 - PROPERTY AND EQUIPMENT

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

	<u>2011</u>	<u>2010</u>
Equipment	\$ 135,152	\$ 135,152
Software	2,536	2,536
Website	<u>18,750</u>	<u>18,750</u>
	156,438	156,438
Less: Accumulated depreciation and amortization	<u>(40,797)</u>	<u>(9,509)</u>
	<u>\$ 115,641</u>	<u>\$ 146,929</u>

BELIEVE SOUTHSIDE CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 3 - PROPERTY AND EQUIPMENT (Continued)

Depreciation and amortization expense was \$31,288 and \$9,509 for the year ended June 30, 2011 and for the period from January 13, 2009 (inception) to June 30, 2010, respectively.

NOTE 4 - RELATED PARTY TRANSACTIONS

The School is an affiliate of Believe High School Network (the "Network"), a New York State, not-for-profit charter management organization. The Network supports the School by providing management and other supporting services. Pursuant to the terms of the agreement by and between the Network and the School, dated July 31, 2009, the Network shall provide educational management and operational services in connection with the management of the School. These services include, but not limited to start-up, curriculum design, administration, staff and leadership recruiting, evaluations and assessments, training and development. As compensation to the Network for these services rendered, the School shall pay to the Network an amount equal to 20% of the per pupil operating revenue collected for the 2009-2010 academic school year. The per pupil operating revenue fee shall be decreased each subsequent fiscal year starting with the 2010-2011 academic year by one percent until the 2013-2014 academic year. The agreement shall automatically be renewed for additional renewal terms ending on June 30 of each subsequent year after the initial term (July 1, 2009 to June 30, 2014), unless written notice of intent to terminate or renegotiate is given by either party according to the terms of the agreement. For the year ended June 30, 2011 and for the period from January 13, 2009 (inception) to June 30, 2010, the School incurred \$537,252 and \$270,565 in management fees, respectively. In addition, the Network paid \$3,718 and \$5,914 for start-up and shared operating expenses on behalf of the School for the year ended June 30, 2011 and for the period from January 13, 2009 (inception) to June 30, 2010, respectively.

For operational efficiency and purchasing power, the School shares certain expenses with the Network and two charter schools related by common management. The Williamsburg Charter High School ("Williamsburg") and Believe Northside Charter High School ("Believe Northside"). For the year ended June 30, 2011 and for the period from January 13, 2009 (inception) to June 30, 2010, Williamsburg paid \$2,598 and \$34,152 for start-up and shared operating expenses on behalf of the School. In addition the School advanced \$-0- and \$70,000 to Williamsburg for the year ended June 30, 2011 and for the period from January 13, 2009 (inception) to June 30, 2010. For the year ended June 30, 2011 and for the period from January 19, 2009 (inception) to June 30, 2010, the School advanced \$90,000 and \$-0- to Believe Northside in the form of a loan receivable, respectively.

BELIEVE SOUTHSIDE CHARTER HIGH SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011 AND 2010

NOTE 4 - RELATED PARTY TRANSACTIONS (Continued)

The net balance due from related parties consisted of the following at June 30,:

	2011	2010
Network	\$ 3,242	\$ (5,914)
Williamsburg	85,192	40,656
Believe Northside	2,598	-
	\$ 91,032	\$ 34,742

NOTE 5 - CONTINGENCY

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE 6 - REVENUE CONCENTRATION

The School receives a substantial portion of its support and revenue from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

NOTE 7 - FUNCTIONAL ALLOCATION OF EXPENSE

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expense includes those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

NOTE 8 - PENSION PLAN

The School maintains a pension plan qualified under Internal Revenue Code 403(b) for the benefit of its eligible employees. Under the plan, the School provided matching contributions up to 4% to the plan. The amount charged to operations for fees and matching contributions to this plan amounted to \$58,928 and \$28,861 for the year ended June 30, 2011 and for the period from January 13, 2009 (inception) to June 30, 2010 respectively.

BELIEVE SOUTHSIDE CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 9 - 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.

Legal services were provided 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 \$28,600 and \$-0-, for the year ended June 30, 2011 and for the period from January 13, 2009 (inception) to June 30, 2010, respectively.

NOTE 10 - SUBSEQUENT EVENTS

The School was placed on probation by its authorizer The New York State Education Department ("NYSED") on September 21, 2011. The probation order cited violations of governance, specific finance concerns and educational program elements including mission statement and the School year calendar. NYSED conducted an unannounced visit to the School on October 7, 2011. NYSED sent the School a letter on October 26, 2011 stating that at the time of the visit they noted no areas of non-compliance. The School is on probation until at least June 30, 2012.

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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

TO THE BOARD OF TRUSTEES
BELIEVE SOUTHSIDE CHARTER HIGH SCHOOL

Our report on our audits of the basic financial statements of Believe Southside Charter High School (a not-for-profit corporation) for the year ended June 30, 2011 and for the period from January 13, 2009 (inception) to June 30, 2010 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.


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

New York, New York
October 25, 2011

BELIEVE SOUTHSIDE CHARTER HIGH SCHOOL
SCHEDULE OF FUNCTIONAL EXPENSES

	For the year ended June 30, 2011					For the period from January 13, 2009 (inception) to June 30, 2010
	Program Services			Management and		
	Regular Education	Special Education	Total	General	Total	
Salaries	\$ 1,352,876	\$ 89,201	\$ 1,442,077	\$ 166,166	\$ 1,608,243	\$ 664,325
Payroll taxes and employee benefits	285,183	18,732	303,915	35,609	339,524	150,121
Accounting and audit fees	-	-	-	22,000	22,000	20,000
Donated services	-	-	-	28,600	28,600	-
Contractual services	83,032	-	83,032	-	83,032	246,832
Professional development	7,484	2,281	9,765	9,243	19,008	79,514
Supplies	16,336	221	16,557	5,519	22,076	19,335
Telephone	9,361	1,440	10,801	1,200	12,001	6,179
Postage and shipping	3,323	222	3,545	885	4,430	3,688
Printing and copying	13,464	2,565	16,029	5,342	21,371	9,338
Management fee - Network	-	-	-	537,252	537,252	270,565
Travel	612	83	695	-	695	992
Conferences, conventions, and meetings	235	-	235	-	235	36,042
Textbooks and classroom supplies	59,849	8,161	68,010	-	68,010	68,987
Student activities and fees	10,435	-	10,435	-	10,435	6,553
Insurance	13,138	1,867	15,005	1,667	16,672	38,688
Dues and subscriptions	-	-	-	-	-	2,750
Marketing and recruiting	10,948	782	11,730	3,910	15,640	2,509
Technology and equipment	9,588	1,515	11,103	1,960	13,063	17,361
Membership fees	-	-	-	115	115	1,100
Depreciation and amortization	28,159	1,564	29,723	1,565	31,288	9,509
Miscellaneous	28,445	-	28,445	240	28,685	10,192
Total	\$ 1,932,468	\$ 128,634	\$ 2,061,102	\$ 821,273	\$ 2,882,375	\$ 1,664,580

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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
BELIEVE SOUTHSIDE CHARTER HIGH SCHOOL

We have audited the financial statements of Believe Southside Charter High School (“the School”) as of and for the year ended June 30, 2011 and for the period from January 13, 2009 (inception) to June 30, 2010 and have issued our report thereon dated October 25, 2011. We conducted our audits 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.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the School’s internal control over financial reporting 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control over financial reporting.

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 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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and recommendations that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or 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.

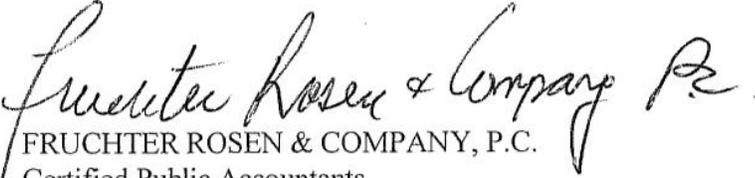
TO THE BOARD OF TRUSTEES
BELIEVE SOUTHSIDE CHARTER HIGH SCHOOL

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of 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 audits, 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 reported to the management of the School in a separate letter dated October 25, 2011.

This report is intended solely for the information and use of management, Board of Trustees, federal, state and local awarding agencies, 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.


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

New York, New York
October 25, 2011