

Harriet Tubman Charter School

Financial Report with Supplementary Information
(in accordance with *Government Auditing Standards*
and OMB Circular A-133)

June 30, 2011

Contents

Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 10
Internal Controls and Compliance Section:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11 - 12
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	13 - 14
Schedule of Expenditures of Federal Awards	15
Schedule of Findings and Questioned Costs	16 - 18



Independent Auditor's Report

To the Board of Trustees
Harriet Tubman Charter School
Bronx, New York

We have audited the accompanying statements of financial position of Harriet Tubman Charter School (the "School") as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. 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.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinions.

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 years then ended 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 31, 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 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 considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2011 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 taken as a whole.

McGladrey & Pullen, LLP

New York, New York
October 31, 2011

Harriet Tubman Charter School

Statements of Financial Position
June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash	\$ 989,718	\$ 802,544
Cash - Restricted	75,000	75,000
Grants Receivable, net of allowance for doubtful accounts of \$-0- for \$2011 and \$8,607 for 2010	686,132	160,848
Deferred Lease Premium, net	680,000	765,000
Property and Equipment, net	370,994	267,365
Other Assets	<u>54,270</u>	<u>80,881</u>
Total assets	<u>\$ 2,856,114</u>	<u>\$ 2,151,638</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 44,763	\$ 10,385
Refundable advances	418,349	421,927
Due to management company	1,251,404	1,208,139
Deferred rent	<u>136,410</u>	<u>140,960</u>
Total liabilities	<u>1,850,926</u>	<u>1,781,411</u>
Commitments and Contingencies		
Net Assets:		
Unrestricted:		
Undesignated	904,848	269,961
Board-designated	75,000	75,000
Temporarily restricted	<u>25,340</u>	<u>25,266</u>
Net assets	<u>1,005,188</u>	<u>370,227</u>
Total liabilities and net assets	<u>\$ 2,856,114</u>	<u>\$ 2,151,638</u>

See Notes to Financial Statements.

Harriet Tubman Charter School

**Statements of Activities
Years Ended June 30, 2011 and 2010**

	2011	2010
Unrestricted Net Assets:		
Operating revenue:		
State and local per pupil operating revenue	\$ 6,751,451	\$ 5,756,138
Government grants and contracts	<u>754,190</u>	<u>407,419</u>
Total operating revenue	<u>7,505,641</u>	<u>6,163,557</u>
Operating expenses:		
Program services:		
Regular education	3,819,257	3,947,888
Special education	616,252	183,022
Other programs	93,969	104,689
Management and general	<u>2,390,560</u>	<u>1,596,750</u>
Total operating expenses	<u>6,920,038</u>	<u>5,832,349</u>
Net revenue from School operations	585,603	331,208
Contributions	35,560	31,815
Other Income	22,077	37,840
Fund-Raising	<u>(8,205)</u>	<u>(10,330)</u>
Change in unrestricted net assets	<u>635,035</u>	<u>390,533</u>
Temporarily Restricted Net Assets - other	<u>(74)</u>	<u>-</u>
Change in temporarily restricted net assets	<u>(74)</u>	<u>-</u>
Change in net assets	634,961	390,533
Net Assets (Deficiency):		
Beginning	<u>370,227</u>	<u>(20,306)</u>
Ending	<u>\$ 1,005,188</u>	<u>\$ 370,227</u>

See Notes to Financial Statements.

Harriet Tubman Charter School

Statement of Functional Expenses
Year Ended June 30, 2011

	Program Services				Supporting Services		Total
	Regular Education	Special Education	Other Programs	Total Programs	Management and General	Fund-Raising	
Salaries and wages	\$ 1,615,655	\$ 285,132	\$ 47,704	\$ 1,948,491	\$ 777,433	\$ -	\$ 2,725,924
Payroll taxes and employee benefits	651,572	114,990	19,238	785,800	313,529	-	1,099,329
Equipment (maintenance and repairs)	60,576	10,690	1,789	73,055	29,148	-	102,203
Subscriptions	1,371	242	40	1,653	660	-	2,313
Contracted services	177,236	31,279	5,233	213,748	85,284	-	299,032
Occupancy	313,788	55,378	9,265	378,431	150,991	-	529,422
Supplies	14,259	2,516	421	17,196	6,861	-	24,057
Instructional materials	146,354	-	-	146,354	-	-	146,354
Telephone and Internet	17,843	3,149	527	21,519	8,586	-	30,105
Insurance	24,057	4,246	710	29,013	11,576	-	40,589
Food	180,748	-	-	180,748	-	-	180,748
Employee recruiting	628	111	19	758	302	-	1,060
Field trips	215	-	-	215	-	-	215
Fund-raising	-	-	-	-	-	8,205	8,205
Staff development	16,171	2,854	477	19,502	7,781	-	27,283
Utilities	71,259	12,576	2,104	85,939	34,289	-	120,228
Assessments	4,779	843	141	5,763	2,300	-	8,063
Management fee	309,369	54,595	-	363,964	738,958	-	1,102,922
Travel	14,755	2,604	436	17,795	7,100	-	24,895
Professional fees	-	-	-	-	119,902	-	119,902
Other	61,128	10,782	1,805	73,715	29,700	-	103,415
Depreciation and amortization	137,494	24,265	4,060	165,819	66,160	-	231,979
Totals	\$ 3,819,257	\$ 616,252	\$ 93,969	\$ 4,529,478	\$ 2,390,560	\$ 8,205	\$ 6,928,243

See Notes to Financial Statements.

Harriet Tubman Charter School

Statement of Functional Expenses
Year Ended June 30, 2010

	Program Services			Supporting Services			Total
	Regular Education	Special Education	Other Programs	Total Programs	Management and General	Fund-Raising	
Salaries and wages	\$ 1,860,282	\$ 107,976	\$ 61,764	\$ 2,030,022	\$ 454,140	\$ -	\$ 2,484,162
Payroll taxes and employee benefits	628,700	36,491	20,873	686,064	153,481	-	839,545
Equipment (maintenance and repairs)	54,488	3,163	1,809	59,460	13,302	-	72,762
Subscriptions	5,200	-	-	5,200	-	-	5,200
Contracted services	181,357	-	-	181,357	-	-	181,357
Occupancy	319,226	18,529	10,599	348,354	77,931	-	426,285
Supplies	-	-	-	-	20,229	-	20,229
Instructional materials	92,496	-	-	92,496	-	-	92,496
Telephone and Internet	8,458	491	281	9,230	2,065	-	11,295
Insurance	21,546	1,252	715	23,513	5,259	-	28,772
Food	160,361	-	-	160,361	-	-	160,361
Employee recruiting	10,005	-	-	10,005	-	-	10,005
Field trips	27,710	-	-	27,710	-	-	27,710
Fund-raising	-	-	-	-	-	10,330	10,330
Staff development	1,442	-	-	1,442	-	-	1,442
Interest expense	-	-	-	-	52,549	-	52,549
Utilities	71,940	4,176	2,388	78,504	17,562	-	96,066
Assessments	8,261	-	-	8,261	-	-	8,261
Management fee	307,870	-	-	307,870	616,664	-	924,534
Travel	13,641	792	453	14,886	3,330	-	18,216
Professional fees	-	-	-	-	137,540	-	137,540
Other	53,864	3,126	1,788	58,778	13,150	-	71,928
Depreciation and amortization	121,041	7,026	4,019	132,086	29,548	-	161,634
Totals	\$ 3,947,888	\$ 183,022	\$ 104,689	\$ 4,235,599	\$ 1,596,750	\$ 10,330	\$ 5,842,679

See Notes to Financial Statements.

Harriet Tubman Charter School

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities:		
Change in net assets	\$ 634,961	\$ 390,533
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	231,979	161,634
Changes in operating assets and liabilities:		
Increase in grants receivable	(525,284)	(25,236)
Decrease (increase) in other assets	26,611	(15,244)
Increase (decrease) in accounts payable and accrued expenses	34,378	(42,039)
(Decrease) increase in refundable advances	(3,578)	103,075
Increase (decrease) in due to management company	43,265	(718,133)
(Decrease) increase in deferred rent	<u>(4,550)</u>	<u>8,320</u>
Net cash provided by (used in) operating activities	<u>437,782</u>	<u>(137,090)</u>
Cash Flows Used in Investing Activities - purchase of property and equipment	<u>(250,608)</u>	<u>(143,383)</u>
Cash Flows From Financing Activities:		
Full payment of principal on loan	-	(20,611)
Repayment of principal on mortgage payable - management company	<u>-</u>	<u>(791,539)</u>
Cash used in financing activities	<u>-</u>	<u>(812,150)</u>
Net increase (decrease) in cash	187,174	(1,092,623)
Cash:		
Beginning	<u>802,544</u>	<u>1,895,167</u>
Ending	<u>\$ 989,718</u>	<u>\$ 802,544</u>
Supplemental Information:		
Interest paid	<u>\$ -</u>	<u>\$ 52,549</u>

See Notes to Financial Statements.

Harriet Tubman Charter School

Notes to Financial Statements

Note 1. Principal Business Activity and Summary of Significant Accounting Policies

Organization and Principal Business Activity: Harriet Tubman Charter School (the "School") is an educational corporation that operates in the borough of The Bronx, New York. On January 13, 2000, the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration. The School is now on its fourth charter renewal, which will expire June 30, 2016.

The School is designed to help students develop the skills to become leaders who read, think, write and communicate at high levels. The School's mission is to prepare students for success throughout their college years and beyond.

In fiscal years 2011 and 2010, the School operated classes for students in kindergarten and grades one through eight.

The New York City Department of Education provides transportation directly to a majority of the School's students.

Basis of Accounting and Financial Statement Presentation: The financial statements of the School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Revenue Recognition: Revenue from state and local governments resulting from the School's charter status is based on the number of students enrolled, and is recorded when services are performed in accordance with the charter agreement. Revenue from federal, state and local government grants and contracts are recognized by the School when qualifying expenditures are incurred and billable to the government. Cash received in excess of expenditures incurred or eligible per pupil fees is recognized as refundable advances.

The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The School reports amounts received with donor stipulations that limit the use of the assets for certain purposes as unrestricted net assets if the stipulated purpose restriction is accomplished in the same year in which the contribution is received. Contributions of assets other than cash are recorded at their estimated fair values.

The School recognizes contributed services as revenue and assets or expenses at fair value if those services (a) create or enhance nonfinancial assets, or (b) would typically need to be purchased by the School if they had not been provided by contribution, require specialized skills and are provided by individuals with those skills.

A number of volunteers have made a contribution of their time to the School to serve on boards of trustees. The value of this contributed time is not reflected in these financial statements inasmuch as such services either do not require specialized skills or would not typically be purchased had they not been provided by donation.

Cash: The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses on these accounts.

Grants receivable: Grants receivable are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The School estimates doubtful accounts based on historical bad debt, factors related to specific donors' ability to pay and current economic trends. The School writes off receivables against the allowance when a balance is determined to be uncollectible.

Harriet Tubman Charter School

Notes to Financial Statements

Note 1. Principal Business Activity and Summary of Significant Accounting Policies (Continued)

Property and Equipment: Property and equipment is recorded at cost. Major additions and improvements or betterments with an estimated useful life of more than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is less.

Durable curriculum materials in excess of \$10,000 which are recognized to have value beyond their year of purchase are amortized over a 3-year period.

Functional Classification of Expenses: Expenses are classified according to the functional categories for which they are incurred, as follows:

Program Services: This represents expenses directly associated with general education and special education for certain students requiring additional attention and guidance.

Management and General: This represents expenses related to the overall administration and operation of the School that are not associated with any program services.

Fund-Raising: This represents expenses associated with the School's fund-raising efforts, including but not limited to annual mailings, donor meetings and events.

Rent Expense: The School recognizes rent expense on a straight-line basis over the term of the lease. Expenses in excess of payments are recorded as deferred rent in the statements of financial position.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Income Taxes: The Internal Revenue Service has determined that the School is exempt from federal income taxes under Section 501(c)(3) of the Code and from state income taxes.

Management evaluated the School's tax positions and concluded that the School had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the School is no longer subject to income tax examinations by U.S. federal, state, or local tax authorities for years before 2007, which is the standard statute of limitations look-back period.

Subsequent Events: The School evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was October 31, 2011 for these financial statements.

Reclassification: Certain 2010 account balances have been reclassified to conform with the 2011 financial statement presentation. The reclassification had no effect on the 2010 total assets, total liabilities, total net assets and changes in net assets.

Harriet Tubman Charter School

Notes to Financial Statements

Note 2. Property and Equipment, Net

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

	<u>2011</u>	<u>2010</u>	<u>Useful Life</u>
Leasehold improvements	\$ 187,741	\$ 142,216	10 to 15 years
Computer and equipment	229,689	176,974	3 years
Durable curriculum materials	136,205	-	3 years
Furniture and fixtures	76,048	59,885	7 years
Playground	97,000	97,000	8 years
	<u>726,683</u>	476,075	
Less accumulated depreciation and amortization	<u>355,689</u>	<u>208,710</u>	
	<u>\$ 370,994</u>	<u>\$ 267,365</u>	

Depreciation and amortization expense for the years ended June 30, 2011 and 2010 net of amortization of deferred lease premium was \$146,979 and \$76,634, respectively.

Note 3. Mortgage Payable

On July 26, 2004, the School took a mortgage loan of \$1,124,370 from Edison Learning, Inc. ("Edison"), its management company, to primarily finance the lease premium payable for the leased facilities. Effective June 30, 2008, the School amended the agreement with Edison. The loan was payable on June 30, 2014 or such other earlier date on which the loan may be required to be repaid pursuant to the terms and provisions of the note, with interest at 12% per annum, and was secured by the School's interest in the leased property. Generally, payments were only required if there was available cash flows from operations of the School. In fiscal 2010, the School fully paid the balance on the principal of \$791,539.

Note 4. Management Agreement

On July 26, 2004, the School entered into a management agreement with Edison expiring on June 30, 2010, and subsequently extended to June 30, 2014. The agreement requires Edison to manage the day-to-day operations of the School, including management of the School's financial resources. As compensation for its services and the financial risks it bears, Edison is to receive a fee equal to 15% of all external public funds received by the School. Total management fee earned by Edison in fiscal 2011 and 2010 amounted to \$1,102,922 and \$924,534, respectively.

As of June 30, 2011 and 2010, the School owed Edison \$1,251,404 and \$1,208,139, respectively, for unpaid cash advances and management fees.

Harriet Tubman Charter School

Notes to Financial Statements

Note 5. Contingencies

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. 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.

The School is involved in legal actions arising in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters will not have a material adverse impact on the accompanying financial statements. Accordingly, no provision for such contingencies has been made in the accompanying financial statements.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions received for scholarships.

Note 7. Commitments

On August 20, 2004, the School entered into a long-term lease agreement for its facilities expiring on December 31, 2024. Future minimum lease payments under this lease are as follows:

Year ending June 30,

2012	\$ 333,140
2013	333,140
2014	347,300
2015	311,460
2016	311,460
Thereafter	<u>1,183,530</u>
	<u>\$ 2,820,030</u>

Rent expense charged to operations amounted to \$320,457 and \$326,108 for the years ended June 30, 2011 and 2010, respectively. Deferred rent of \$136,410 and \$140,960 represents an obligation for the accumulated rent expense recorded by the School from the inception of the lease in excess of the required lease payments through June 30, 2011 and 2010, respectively.

The School entered into a surrender agreement with the landlord and the previous tenant on June 30, 2004. Under the terms of the agreement, cash payments and a promissory note totaling \$1,275,000 were provided to the landlord and the previous tenant in exchange for the release from a previous commitment from a prior lease agreement. This amount is shown as a deferred lease premium in the financial statements and is being amortized over the life of the present lease (15 years). At June 30, 2011 and 2010, the balance of the deferred lease premium is \$680,000 and \$765,000, net of total accumulated amortization of \$595,000 and \$510,000, respectively.

Note 8. Employee Benefit Plan

The School is a participating employer in the Teachers' Retirement System of the City of New York ("TRS"). The amount charged to operations for contributions to TRS for the years ended June 30, 2011 and 2010 was \$522,540 and \$242,233 respectively.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Harriet Tubman Charter School
Bronx, New York

We have audited the financial statements of Harriet Tubman Charter School (the "School") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 31, 2011. 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.

Internal Control Over Financial Reporting

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, 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 over financial reporting 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 as Item 11-01 in Section II of the accompanying *Schedule of Findings and Questioned Costs* that we consider to be a significant deficiency in internal control over financial reporting. *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.

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 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*.

The School's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of trustees, management, the New York State Education Department, the Department of Education of the City of New York and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

McGladrey & Pullen, LLP

New York, New York
October 31, 2011



**Independent Auditor's Report on Compliance with Requirements that Could Have
a Direct and Material Effect on Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

To the Board of Trustees
Harriet Tubman Charter School
Bronx, New York

Compliance

We have audited the compliance of Harriet Tubman Charter School (the "School") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2011. The School's major federal program is identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of trustees, management, the New York State Education Department, the Department of Education of the City of New York and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

McGladrey & Pullen, LLP

New York, New York
October 31, 2011

Harriet Tubman Charter School

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011**

Federal Grantor/Pass-Through Agency/Program Title	CFDA No.	Federal Expenditures
U.S. Department of Education Passed Through the New York State Education Department:		
Title I, Part A Cluster:		
Grants to Local Educational Agencies (Title IA)	84.010	\$ 400,793
AARA - Title I Grants to Local Education Agencies (LEAs)	84.389	<u>54,917</u>
Total Title I, Part A Cluster		<u>455,710</u>
Improving Teacher Quality State Grants (Title IIA)	84.367	<u>62,268</u>
Education Technology State Grant (Title IID)	84.318	<u>78</u>
Safe and Drug-Free Schools and Communities - State Grants (Title IV)	84.186	<u>979</u>
Special Education - Grants to States (IDEA Part B)	84.027	<u>72,814</u>
U.S. Department of Agriculture Passed Through the New York State Education Department:		
Child Nutrition Cluster:		
National School Lunch Program (NSLP)	10.555	140,158
School Breakfast Program (SBP)	10.553	<u>15,991</u>
Total Child Nutrition Cluster		<u>156,149</u>
Total expenditures of federal awards		<u><u>\$ 747,998</u></u>

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the School under programs of the federal government for the year ended June 30, 2011 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

Harriet Tubman Charter School

Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

yes no

Identification of Major Program(s):

CFDA Number

84.010
84.389

Name of Program Name or Cluster

Title I, Part A Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

(Continued)

Harriet Tubman Charter School

Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

II. Financial Statement Findings

A. Internal Control Findings

11-01 Account Analysis and Reconciliation

Criteria: Analysis and reconciliation of major financial statement accounts should be regularly performed during the course of the year to enhance the reliability of the School's financial records and facilitate the preparation of fairly presented financial statements at the end of the year.

Condition: We noted significant misstatements in the major account balances shown in the trial balance initially provided for our audit.

Context: Misstatements we noted in the trial balance initially provided for our review pertain to revenue recognition and deferral, capitalization of property and equipment, accrual of expenses, and calculation of management fees.

Effect: Significant audit adjustments were made to the trial balance initially provided for our audit.

Cause: It appeared that account analyses and reconciliations are not done on a regular basis during the course of the year.

Recommendation: Upon our recommendation, the School made the necessary adjustments to the 2011 financial statements. Going forward, we recommend that there should be periodic (i.e., monthly or quarterly) analysis and reconciliation of significant financial statement accounts.

Management's Response: The School will require quarterly analysis of all statement of financial position accounts and significant revenue and expense accounts.

B. Compliance Findings

None reported.

(Continued)

Harriet Tubman Charter School

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2011

III - Findings and Questioned Costs for Federal Awards

A. Internal Control

None reported.

B. Compliance Findings

None reported.