

LAUNCH EXPEDITIONARY LEARNING CHARTER SCHOOL  
(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2013

LAUNCH EXPEDITIONARY LEARNING CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
FINANCIAL STATEMENTS  
JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES OF  
LAUNCH EXPEDITIONARY LEARNING CHARTER SCHOOL

***Report on the Financial Statements***

We have audited the accompanying financial statements of Launch Expeditionary Learning 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 period from December 14, 2010 (inception) to June 30, 2013, 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 period from December 14, 2010 (inception) to June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 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  
September 9, 2013

LAUNCH EXPEDITIONARY LEARNING CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2013

ASSETS

Current assets:	
Cash and cash equivalents	\$ 501,050
Grants and contracts receivable	75,674
Prepaid expenses and other current assets	<u>111,358</u>
Total current assets	688,082
Property and equipment, net of accumulated depreciation of \$42,902	189,558
Restricted cash	<u>75,015</u>
TOTAL ASSETS	<u><u>\$ 952,655</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ 30,898
Accrued payroll and payroll taxes	71,903
Refundable advances	<u>9,184</u>
Total current liabilities	<u>111,985</u>
Net assets	
Unrestricted	839,331
Temporarily restricted	1,339
Total net assets	<u>840,670</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 952,655</u></u>

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

**LAUNCH EXPEDITIONARY LEARNING CHARTER SCHOOL**  
 (A Not-For-Profit Corporation)  
**STATEMENT OF ACTIVITIES**  
 FOR THE PERIOD FROM DECEMBER 14, 2010 (INCEPTION) TO JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and support:</b>			
State and local per pupil operating revenue	\$ 1,929,119	\$ -	\$ 1,929,119
Federal grants	576,420	-	576,420
State and city grants	157,127	-	157,127
Contributions and grants	67,115	227,623	294,738
Donated goods and services	162,693	-	162,693
Interest and other income	84	-	84
Net assets released from restriction	226,284	(226,284)	-
	<b>3,118,842</b>	<b>1,339</b>	<b>3,120,181</b>
<b>Expenses:</b>			
Program services			
Regular education	1,293,049	-	1,293,049
Special education	757,810	-	757,810
Total program services	2,050,859	-	2,050,859
Supporting services			
Management and general	215,686	-	215,686
Fundraising	12,966	-	12,966
Total expenses	2,279,511	-	2,279,511
Change in net assets	839,331	1,339	840,670
Net assets - beginning of period	-	-	-
Net assets - end of period	\$ 839,331	\$ 1,339	\$ 840,670

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

LAUNCH EXPEDITIONARY LEARNING CHARTER SCHOOL  
 (A Not-For-Profit Corporation)  
 STATEMENT OF CASH FLOWS  
 FOR THE PERIOD FROM DECEMBER 14, 2010 (INCEPTION) TO JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 840,670
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	42,902
Changes in certain assets and liabilities:	
(Increase) in grants and contracts receivable	(75,674)
(Increase) in prepaid expenses and other current assets	(111,358)
(Increase) in restricted cash	(75,015)
Increase in accounts payable and accrued expenses	30,898
Increase in accrued payroll and payroll taxes	71,903
Increase in refundable advances	9,184
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>733,510</u>
CASH FLOWS FROM INVESTING ACTIVITY	
Purchase of property and equipment	<u>(232,460)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	501,050
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 501,050</u>

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

LAUNCH EXPEDITIONARY LEARNING CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

Nature of Organization

Launch Expeditionary Learning Charter School (the “School”) is a New York State, not-for-profit educational corporation that was incorporated 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 14, 2010 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The School was created to offer a world-class education to students and families living in Bedford-Stuyvesant, Crown Heights and the surrounding communities in Brooklyn. The School is part of the Expeditionary Learning network of over 150 member schools nationwide. Its mission is to provide sixth to twelfth grade students with an education that would help them to develop the academic skills and strength of character necessary to thrive in college, contribute to their communities, and excel in their careers. Classes commenced in August 2012 and the School provided education to approximately 108 students in the sixth grade during the 2012-2013 academic year.

The School has an agreement with the New York City Department of Education (“NYCDOE”) to share public school space at no annual cost. The School occupies approximately 14,000 square feet on one floor of a public school building. The School also shares the gymnasium, auditorium and cafeteria with the public school which approximate 2,618 square feet. The School is not responsible for rent, utilities, custodial services, and school safety services other than those required over the summer when traditional NYCDOE schools are not in service. The School was unable to determine a value for the contributed space and related services and did not record any value for use of donated facilities.

Food Services

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 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 unrelated business income for the period from December 14, 2010 (inception) to June 30, 2013.



LAUNCH EXPEDITIONARY LEARNING CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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.

IRS Form 990 filed by the School are subject to examination by the Internal Revenue Service for up to three years from the extended due date of each return. All Forms 990 filed by the School are subject to examination.

Basis of Presentation

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

Unrestricted

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 had no permanently restricted net assets at June 30, 2013.

LAUNCH EXPEDITIONARY LEARNING CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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 agencies.

Use of Estimates

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

Cash and Cash Equivalents

For the purpose of the 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.

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment acquired with certain government funding are recorded as expenses pursuant to the terms of the contract, in which ownership of such property and equipment is retained by the funding source. Maintenance and repairs are expensed as incurred. No depreciation is recorded on construction-in-progress until property and equipment is placed into service.

LAUNCH EXPEDITIONARY LEARNING CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

Property and Equipment (Continued)

Depreciation is provided on the straight line method over the estimated useful lives as follows:

Computers	4 years
Equipment	5 years
Furniture and fixtures	7 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 grants and contracts as refundable advances until the related services are performed, at which time it is recognized as revenue.

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:

Computers	\$ 155,655
Equipment	48,868
Furniture and fixtures	<u>27,937</u>
	232,460
Less: accumulated depreciation	<u>(42,902)</u>
	<u>\$ 189,558</u>

Depreciation expense was \$42,902 for the period from December 14, 2010 (inception) to June 30, 2013.

LAUNCH EXPEDITIONARY LEARNING CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 4 - COMMITMENTS

The School entered into a 36 month copier lease agreement expiring on July 15, 2015.

The future minimum lease payments are as follows:

Year ending June 30, 2014	\$	9,041
2015		9,041
2016		<u>753</u>
		<u>\$ 18,835</u>

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 - DONATED GOODS AND SERVICES

Donated Goods

The School received software licenses and associated installation and support services at no charge. The service provider agreed to waive fees for the first five years through June 30, 2017. The value of these goods and associated services meets the criteria for recognition in the financial statements and was recorded at a fair value of \$8,745 for the period from December 14, 2010 (inception) to June 30, 2013.

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958-605, "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.

Two entities 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 a fair value of \$12,930 for the period from December 14, 2010 (inception) to June 30, 2013.

As part of the national Expeditionary Learning network of schools, the School receives in-kind services including professional development and school design services through its institutional partner, NYC Outward Bound, to achieve the objectives of the Expeditionary Learning model. The value of these services meets the criteria for recognition in the financial statements and was recorded at a fair value of \$141,018 for the period from December 14, 2010 (inception) to June 30, 2013.

LAUNCH EXPEDITIONARY LEARNING CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 6 - DONATED GOODS AND SERVICES (Continued)

Total donated goods and services amounted to \$162,693 for the period from December 14, 2010 (inception) to June 30, 2013.

NOTE 7 - REVENUE CONCENTRATION

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

NOTE 8 - FUNCTIONAL ALLOCATION OF EXPENSE

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

NOTE 9 - EMPLOYMENT CONTRACT

The School entered into a co-employment arrangement with TriNet Group, Inc. ("TriNet"), a professional employment organization, effective May 1, 2013. Under the co-employment arrangement, TriNet assumes certain employment responsibilities, including the payment and reporting employees' wages and payroll taxes.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of \$1,339 at June 30, 2013. The funds will be used for the development of a community garden in the 2013-2014 academic year. The intention of the garden is to foster project-based and experiential learning.

NOTE 11 - SUBSEQUENT EVENTS

The School has evaluated its subsequent events through September 9, 2013, the date that the accompanying financial statements were issued. The School has no material events requiring disclosure.

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INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION

TO THE BOARD OF TRUSTEES OF  
LAUNCH EXPEDITIONARY LEARNING CHARTER SCHOOL

We have audited the financial statements of Launch Expeditionary Learning Charter School as of June 30, 2013 and for the period from December 14, 2010 (inception) to June 30, 2013, and have issued our report thereon dated September 9, 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  
September 9, 2013

LAUNCH EXPEDITIONARY LEARNING CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE PERIOD FROM DECEMBER 14, 2010 (INCEPTION) TO JUNE 30, 2013

	Program Services			Management and General	Fundraising	Total
	Regular Education	Special Education	Total			
Salaries and wages	\$ 748,860	\$ 485,548	\$ 1,234,408	\$ 112,879	\$ 4,993	\$ 1,352,280
Employee benefits and payroll taxes	140,576	91,765	232,341	21,484	950	254,775
Audit and accounting fees	-	-	-	30,000	-	30,000
Legal fees - pro-bono	7,197	4,835	12,032	898	-	12,930
Financial management services	-	-	-	28,812	-	28,812
Professional fees - other	105,478	46,249	151,727	9,659	-	161,386
Staff development	98,505	38,020	136,525	1,884	75	138,484
Travel and meals	319	282	601	152	-	753
Office supplies and expense	7,688	5,165	12,853	922	37	13,812
Insurance	11,768	7,230	18,998	1,349	57	20,404
Classroom supplies and expense	89,183	29,586	118,769	-	-	118,769
Communications	15,248	10,245	25,493	1,829	73	27,395
Marketing and recruiting	22,757	8,895	31,652	474	6,571	38,697
Postage, printing and copying	7,501	5,040	12,541	900	36	13,477
Dues and subscriptions	3,291	2,211	5,502	395	16	5,913
Non-capitalized furniture and equipment	3,673	2,468	6,141	441	18	6,600
Depreciation	23,879	16,044	39,923	2,864	115	42,902
Repairs and maintenance	204	136	340	25	-	365
Miscellaneous expense	6,922	4,091	11,013	719	25	11,757
Total	<u>\$ 1,293,049</u>	<u>\$ 757,810</u>	<u>\$ 2,050,859</u>	<u>\$ 215,686</u>	<u>\$ 12,966</u>	<u>\$ 2,279,511</u>

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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 OF  
LAUNCH EXPEDITIONARY LEARNING 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 Launch Expeditionary Learning 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 period from December 14, 2010 (inception) to June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated September 9, 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  
LAUNCH EXPEDITIONARY LEARNING 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 September 9, 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  
September 9, 2013