

**McGladrey & Pullen**

Certified Public Accountants

## **New York Center for Autism Charter School**

Financial Statements

June 30, 2008

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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

The Board of Trustees  
New York Center for Autism Charter School  
New York, New York

We have audited the accompanying statement of financial position of New York Center for Autism Charter School (the "Charter School") as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Charter School for the year ended June 30, 2007 were audited by Goldstein Golub Kessler LLP ("GGK"), independent accountants, certain of whose partners became partners of McGladrey & Pullen, LLP effective October 3, 2007. The prior-year's summarized comparative information has been derived from the Charter School's June 30, 2007 financial statements issued by GGK, and, in their report dated October 19, 2007, GGK expressed an unqualified opinion on those statements.

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 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 audit provides a reasonable basis for our opinion.

In our opinion, the June 30, 2008 financial statements referred to above present fairly, in all material respects, the financial position of the Charter School as of June 30, 2008, and the changes in its net assets and its cash flows for the year 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 16, 2008 on our consideration of the Charter School's internal control over financial reporting and 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 audit.

*McGladrey & Pullen, LLP*

New York, New York  
October 16, 2008

New York Center for Autism Charter School

Statements of Financial Position  
June 30, 2008 and 2007

	2008	2007
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 925,410	\$ 379,389
Pledge Receivable, net	2,150,407	2,310,407
Grant and Tuition Receivables	60,647	33,700
Prepaid Expenses and Other Assets	7,239	15,440
Property and Equipment, net	<u>241,585</u>	<u>275,400</u>
<b>Total assets</b>	<u><u>\$ 3,385,288</u></u>	<u><u>\$ 3,014,336</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 90,158	\$ 134,126
Capital lease obligation	<u>11,121</u>	<u>15,558</u>
<b>Total liabilities</b>	<u>101,279</u>	<u>149,684</u>
Net Assets:		
Unrestricted	2,051,765	1,193,179
Temporarily restricted	<u>1,232,244</u>	<u>1,671,473</u>
<b>Total net assets</b>	<u>3,284,009</u>	<u>2,864,652</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 3,385,288</u></u>	<u><u>\$ 3,014,336</u></u>

See Notes to Financial Statements.

New York Center for Autism Charter School

Statements of Activities

(with summarized comparative financial information for the year ended June 30, 2007)  
 Years Ended June 30, 2008 and 2007

	2008		2007	
	Unrestricted	Temporarily Restricted	Total	Total
Operating revenue:				
State and local per pupil operating revenue	\$ 2,043,232	\$ -	\$ 2,043,232	\$ 1,074,720
State and local government grants	197,675	-	197,675	281,567
<b>Total operating revenue</b>	<b>2,240,907</b>	<b>-</b>	<b>2,240,907</b>	<b>1,356,287</b>
Expenses:				
Program services - regular education	1,741,374	-	1,741,374	1,271,140
Supporting services:				
General and administrative	357,276	-	357,276	364,544
Fund-raising	47,324	-	47,324	44,271
<b>Total supporting services</b>	<b>404,600</b>	<b>-</b>	<b>404,600</b>	<b>408,815</b>
<b>Total operating expenses</b>	<b>2,145,974</b>	<b>-</b>	<b>2,145,974</b>	<b>1,679,955</b>
<b>Net operating revenue (deficit) from school operations</b>	<b>94,933</b>	<b>-</b>	<b>94,933</b>	<b>(323,668)</b>
Contributions	199,544	117,000	316,544	120,910
Other income	7,880	-	7,880	9,311
Net assets released from restrictions - satisfaction of purpose and time restrictions	556,229	(556,229)	-	-
<b>Change in net assets</b>	<b>858,586</b>	<b>(439,229)</b>	<b>419,357</b>	<b>(193,447)</b>
Net assets:				
Beginning	1,193,179	1,671,473	2,864,652	3,058,099
Ending	<u>\$ 2,051,765</u>	<u>\$ 1,232,244</u>	<u>\$ 3,284,009</u>	<u>\$ 2,864,652</u>

See Notes to Financial Statements.

New York Center for Autism Charter School

Statements of Functional Expenses  
 (with summarized comparative financial information for the year ended June 30, 2007)  
 Years Ended June 30, 2008 and 2007

	2008				2007	
	Program Services - Regular Education	General and Administrative	Fund- raising	Total Supporting Services	Total	Total
Salaries and wages	\$ 1,146,093	\$ 203,842	\$ 42,210	\$ 246,052	\$ 1,392,145	\$ 999,884
Payroll taxes and fringe benefits	238,703	43,746	5,114	48,860	287,563	183,335
Consulting and professional fees	154,431	31,626	-	31,626	186,057	146,976
Accounting fees	-	29,251	-	29,251	29,251	72,265
Classroom and teaching supplies	55,996	-	-	-	55,996	47,745
Staff recruitment and development	6,950	6,229	-	6,229	13,179	22,498
Noncapitalized furniture and equipment	1,151	104	-	104	1,255	5,818
Communications and outreach	15,120	3,779	-	3,779	18,899	17,319
Travel	2,970	743	-	743	3,713	4,509
Office	11,904	10,942	-	10,942	22,846	30,793
Insurance	20,028	5,007	-	5,007	25,035	24,149
Depreciation and amortization	84,990	21,248	-	21,248	106,238	79,174
Repairs and maintenance	3,038	759	-	759	3,797	45,490
	<u>\$ 1,741,374</u>	<u>\$ 357,276</u>	<u>\$ 47,324</u>	<u>\$ 404,600</u>	<u>\$ 2,145,974</u>	<u>\$ 1,679,955</u>

See Notes to Financial Statements.

New York Center for Autism Charter School

Statements of Cash Flows  
Years Ended June 30, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities:		
Change in net assets	\$ 419,357	\$ (193,447)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	106,238	79,174
Donated computer hardware	(3,448)	
Changes in operating assets and liabilities:		
Decrease in pledge receivable, net	160,000	140,000
(Increase) decrease in grant and tuition receivables	(26,947)	89,417
Decrease (increase) in prepaid expenses and other assets	8,201	(4,733)
(Decrease) increase in accounts payable and accrued expenses	(43,968)	75,693
Decrease in refundable advances from state and local government grants	-	(61,024)
<b>Net cash provided by operating activities</b>	<b>619,433</b>	<b>125,080</b>
Cash Used In Investing Activity - purchases of property and equipment	(68,975)	(249,446)
Cash Used In Financing Activity - payments made on capital lease obligation	(4,437)	(4,252)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>546,021</b>	<b>(128,618)</b>
Cash and Cash Equivalents:		
Beginning	379,389	508,007
Ending	<u>\$ 925,410</u>	<u>\$ 379,389</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 580</u>	<u>\$ 765</u>

See Notes to Financial Statements.

## New York Center for Autism Charter School

### Notes to Financial Statements

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

New York Center for Autism Charter School (the "Charter School") is an educational corporation that commenced operating as a charter school in the borough of Manhattan, New York in July 2005. On April 15, 2005, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration.

The Charter School's mission is to provide individualized, scientifically based educational services to children with autism and other pervasive developmental disorders.

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

The financial statements of the Charter School reflect contributions received from the public and other organizations. Contributions, including unconditional promises to give, are recognized as revenue in the period documented or received.

The Charter 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. Contributions of assets other than cash are recorded at their estimated fair value.

The Charter School received donated computer hardware amounting to \$3,448 during the fiscal year ended June 30, 2008, which has been included in property and equipment and contributions in the accompanying financial statements.

Revenue from state and local governments resulting from the Charter School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and state grant funds are recorded by the Charter School when expenditures are incurred and billable. Funds received in advance for which expenditures have not been incurred are reflected as refundable advances from state and local government grants in the accompanying statements of financial position.

A number of volunteers have made a contribution of their time to the Charter School to develop its academic program and to serve on the board of trustees. The value of this contributed time is not reflected in these financial statements since it does not meet the criteria for recognition under Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2007 from which the summarized information was derived.

The Charter School maintains its cash in a bank deposit account which, at times, may exceed federally insured limits. The Charter School has not experienced any losses in such account.

Notes to Financial Statements

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

The Charter School considers all highly liquid financial instruments with an original maturity of three months or less to be cash equivalents.

The Charter School capitalizes all purchases of property and equipment in excess of \$500. Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. No depreciation is recorded on construction-in-progress until such property and equipment are placed into service. Leasehold improvements are amortized over the remaining term of the lease. Property and equipment acquired with certain government contract funds are recorded as expenses pursuant to the terms of the contract.

Fixed assets acquired under capital leases are recorded in property and equipment with corresponding obligations carried in liabilities. The amount capitalized is the lower of the present value of the minimum lease payments or the fair value of the leased asset. Amortization on assets leased under capital leases is recorded on a straight-line basis over the estimated useful life of the asset or the term of the lease, depending on the criteria used to capitalize the lease.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates by management. Actual results could differ from those estimates.

The costs of providing the various programs and other activities have been summarized on the functional basis in the accompanying statements of functional expenses. Certain costs have been allocated among program and supporting services.

In July 2006, the Financial Accounting Standards Board (the "FASB") issued *Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109* ("FIN 48") which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. If there are changes in net assets as a result of the application of FIN 48, these will be accounted for as an adjustment to the opening balance of net assets. Additional disclosure about the amounts of such liabilities will also be required. In February, 2008, the FASB delayed the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2007. In October 2008, the FASB announced that it will be proposing to delay the effective date for an additional year for certain nonpublic enterprises. If this proposal is adopted as expected, the Charter School will be required to adopt FIN 48 in its June 30, 2010 financial statements. The adoption of FIN 48 is not expected to have a material impact on the Charter School's financial position, change in net assets or cash flows.

New York Center for Autism Charter School

Notes to Financial Statements

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**Note 2. Pledge Receivable, Net**

In December 2004, New York Center for Autism Research and Education, Inc. ("NYCA") entered in an institutional partnership agreement ("Partnership Agreement") with the Charter School to support its fiscal operations and development. In addition, the Charter School and NYCA entered into a financial commitment agreement in January 2006 which set forth a schedule of contributions to be made by NYCA during the Charter School's initial charter period. Future payments are reflected at the present value using a 4% discount rate.

Pledge payments outstanding pertaining to years ended June 30, 2008 and 2007 \$ 1,112,912

Pledge payments due in future periods:

Year ending June 30,

2009	584,216
2010	<u>626,056</u>

2,323,184

Less unamortized discount on pledge receivable

172,777

\$ 2,150,407

**Note 3. Property and Equipment, Net**

Property and equipment, net, at cost or fair market value at date of donation, consists of at June 30:

	<u>2008</u>	<u>2007</u>	Estimated Useful Life
Furniture and fixtures	\$ 116,108	\$ 100,848	5 years
Computer hardware and software	76,640	67,562	3 years
Equipment obtained under capital lease	22,545	22,545	5 years remaining
Leasehold improvements	232,923	159,077	lease term
Construction-in-progress	-	25,761	
	<u>448,216</u>	<u>375,793</u>	
Less accumulated depreciation and amortization	<u>206,631</u>	<u>100,393</u>	
	<u>\$ 241,585</u>	<u>\$ 275,400</u>	

Accumulated depreciation pertaining to equipment obtained under a capital lease at June 30, 2008 and 2007 amounted to \$12,024 and \$7,515, respectively.

## New York Center for Autism Charter School

### Notes to Financial Statements

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#### Note 4. Capital Lease Obligations

The Charter School leases office equipment under a capital lease expiring in October 2010. The lease requires monthly payments of principal and interest of \$418, imputed at an interest rate of 4.28%. The economic substance of the lease is that the Charter School is financing the acquisition of the assets through the lease and, accordingly, it is recorded in the Charter School's assets and liabilities.

Future minimum lease payments under the lease are as follows:

Year ending June 30,

2009	\$	5,017
2010		5,017
2011		<u>1,672</u>
Total minimum lease payments		11,706
Less amount representing interest		<u>585</u>
<b>Present value of minimum lease payments</b>	<b>\$</b>	<b><u>11,121</u></b>

#### Note 5. Related Party Transactions

The Charter School since its inception has been assisted in the pursuit of its educational goals by its affiliate, NYCA. In December 2004, NYCA entered into an institutional partnership agreement ("Partnership Agreement") with the Charter School to support its mission and operations. Certain individuals serve on the board of directors for both NYCA and the Charter School but do not represent a majority on either board. As part of this Partnership Agreement, NYCA supports the fiscal operations and development of the Charter School; implements a comprehensive fund-raising campaign to support the operations and initiatives of the Charter School; facilitates a collaborative strategic planning process, provides administrative support and resources; provides the Charter School with access to its research and design symposia, scientific forums and research initiatives jointly with the Charter School; and assists with implementing the Charter School's academic programs, creating and coordinating external affiliations to further the Charter School's programs and facilitate initiatives to address the educational, developmental and/or social services needs of the Charter School students and families.

In connection with the Partnership and financial commitment agreements, the Charter School received \$160,000 and \$140,000, respectively, of support from NYCA during the years ended June 30, 2008 and 2007.

#### Note 6. Agreement for School Facility

The Charter School has entered into a Facility Shared Use Agreement (the "Agreement") with the New York City Department of Education for dedicated and shared space at P.S. 50, a New York City public school located at 433 East 100<sup>th</sup> Street, New York, NY. The Agreement commenced on July 1, 2005 at a cost of \$1 per year and expires in June 2010. The Charter School will be responsible for any overtime-related costs for services provided beyond the regular opening hours.

New York Center for Autism Charter School

Notes to Financial Statements

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**Note 7. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purpose or periods at June 30:

	<u>2008</u>	<u>2007</u>
Peer Mentoring Program	\$ 25,557	\$ -
Extended School Year Program	50,000	-
Time restricted for future periods (see Note 2)	<u>1,156,687</u>	<u>1,671,473</u>
	<u>\$ 1,232,244</u>	<u>\$ 1,671,473</u>

Net assets were released from donor restrictions by the passage of time or incurring expenses to satisfy purpose restrictions comprised of the following for the year ended June 30, 2008:

Emerging Leadership Fellowship Stipend	\$ 7,000
Effective Practice Grant	10,000
Peer Mentoring Program	24,443
Time restricted for future period	<u>514,786</u>
	<u>\$ 556,229</u>

The entire time restricted for future periods release is comprised of a multi-year pledge payment from NYCA which lapsed during fiscal year 2008. Additionally, during fiscal 2008, a payment of \$160,000 was received against the pledge receivable from NYCA.

**Note 8. Tax Status**

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

**Note 9. Contingency**

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.

# McGladrey & Pullen

Certified Public Accountants

## 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*

The Board of Trustees  
New York Center for Autism Charter School  
New York, New York

We have audited the financial statements of New York Center for Autism Charter School (the "Charter School") as of and for the year ended June 30, 2008, and have issued our report thereon dated October 16, 2008. 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 - In planning and performing our audit, we considered the Charter School's internal control over financial reporting in order to determine 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether the Charter 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*.

We noted certain matters that we reported to management of the Charter School in a separate letter dated October 16, 2008.

This report is intended solely for the information and use of the finance committee, board of trustees, management, the New York State Education Department and the Board of Regents of the University of the State of New York 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 16, 2008

