

BRONX COMMUNITY CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2009

BRONX COMMUNITY CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2009

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION:	
Statement of financial position	2
Statement of activities	3
Statement of cash flows	4
Notes to the financial statements	5 - 9
Independent auditors' report on additional information	10
Schedule of functional expenses	11
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	12 - 13

TEL: (212) 957-3600
FAX: (212) 957-3696

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES BRONX COMMUNITY CHARTER SCHOOL

We have audited the accompanying statement of financial position of Bronx Community Charter School (the "School") (a not-for-profit corporation) as of June 30, 2009 and the related statement of activities, and cash flows for the period from January 15, 2008 (inception) to June 30, 2009. 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2009 and the changes in its net assets and its cash flows for the period from January 15, 2008 (inception) to June 30, 2009, 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, 2009 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 audit.


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

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 396,699
Grants receivable	31,252
Prepaid expenses	25,578
Security deposits	<u>20,150</u>
Total current assets	473,679
Property and equipment	14,299
Restricted cash	<u>10,009</u>
TOTAL ASSETS	<u><u>\$ 497,987</u></u>
LIABILITIES AND UNRESTRICTED NET ASSETS	
Current liabilities:	
Accounts payable and accrued expenses	\$ 81,855
Accrued payroll and payroll taxes	101,968
Refundable advances	<u>19,119</u>
Total current liabilities	202,942
Unrestricted net assets	<u>295,045</u>
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	<u><u>\$ 497,987</u></u>

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

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE PERIOD FROM JANUARY 15, 2008 (INCEPTION)
TO JUNE 30, 2009

Revenue and support:	
State and local per pupil operating revenue	\$ 1,286,080
Federal grants	192,354
State and city grants	185,817
Contribution and grants	376,222
Interest and other income	<u>7,712</u>
 Total revenue and support	 <u>2,048,185</u>
Expenses:	
Program services	1,409,369
Management and general	286,108
Fundraising	<u>57,663</u>
 Total expenses	 <u>1,753,140</u>
 Change in unrestricted net assets	 295,045
 Unrestricted net assets - beginning of period	 <u>-</u>
 Unrestricted net assets - end of period	 <u><u>\$ 295,045</u></u>

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

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JANUARY 15, 2008 (INCEPTION)
TO JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in unrestricted net assets	\$ 295,045
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:	
Changes in certain assets and liabilities:	
(Increase) in grants receivable	(31,252)
(Increase) in prepaid expense	(25,578)
(Increase) in security deposits	(20,150)
(Increase) in restricted cash	(10,009)
Increase in accounts payable and accrued expenses	81,855
Increase in accrued payroll and payroll taxes	101,968
Increase in refundable advances	<u>19,119</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	410,998
CASH FLOWS FROM INVESTING ACTIVITY	
Purchase of property and equipment	<u>(14,299)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	396,699
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u><u>\$ 396,699</u></u>

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

BRONX COMMUNITY CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2009

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

Nature of Organization

Bronx Community Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on January 15, 2008 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 15, 2008 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 is a small learning community founded on the principle that children learn best when they are active participants in their own learning. The students raise questions about the world around them, engage with a wide range of materials, and learn through their interactions with each other and all of the adults in the School community. Classes commenced in the Bronx, New York, in August 2008 and the School provided education to approximately 99 students in kindergarten and first grades in the 2008-2009 academic year.

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).

Basis of Presentation

Financial statement presentation follows the requirements of Statement of Financial Accounting Standards ("SFAS") No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the School is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The net assets classifications are described as follows:

Unrestricted

Unrestricted net assets of the School are assets whose use has not been restricted by an outside donor or by law. The unrestricted net assets represent the portion of expendable funds that are available for the support of the operations of the School.

BRONX COMMUNITY CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2009

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

Basis of Presentation (Continued)

Temporarily Restricted

Temporarily restricted net assets are used to differentiate resources, the use of which is restricted by donors or grantors to a specific time or period or for a specific purpose. Temporarily restricted gifts are recorded as additions to temporarily restricted net assets in the period received. When restricted net assets are expended for their stipulated purpose, temporarily restricted net assets become unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

Permanently Restricted

Permanently restricted net assets are those contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled or otherwise removed by actions of the School. The income derived from these permanently restricted funds is usually classified as unrestricted and can be used for the general purpose of the School.

The School has no temporarily or permanently restricted net assets at June 30, 2009.

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 at the date of donation.

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.

BRONX COMMUNITY CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2009

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

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.

Restricted Cash

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

Property and Equipment

Purchased property and equipment are recorded at cost. Maintenance and repairs are expensed as incurred. 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
Furniture and fixtures	7 years

Refundable Advances

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

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (the "FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*- an interpretation of FASB Statement No. 109 ("FIN 48"). 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 application of FIN 48, these will be accounted for as an adjustment to the opening balance of net assets. Additional disclosures about the amounts of such liabilities will also be required. In 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, 2008.

BRONX COMMUNITY CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2009

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

Recent Accounting Pronouncements (Continued)

The School will be required to adapt FIN 48 in its June 30, 2010 financial statements. The adoption of FIN 48 is not expected to have a material impact on the School's financial position, results of operations or cash flows.

NOTE 2 - GRANTS RECEIVABLE

Grants receivable consists of federal, state, and city entitlements. The School expects to collect these receivables within one year.

NOTE 3 - PROPERTY AND EQUIPMENT

Computer equipment	\$ 12,809
Furniture and fixtures	<u>1,490</u>
	<u>\$ 14,299</u>

At June 30, 2009, the School did not place any property and equipment into service. Therefore, the School did not record any depreciation expense.

NOTE 4 - COMMITMENTS

The School is obligated under a non-cancelable operating lease for office and classroom space expiring June 30, 2010. Rent expense under the operating lease for the period from January 15, 2008 (inception) to June 30, 2009 amounted to \$115,263. Future minimum lease payments for the year ended June 30, 2010 will be \$128,765.

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.

BRONX COMMUNITY CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2009

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 401(k) for the benefit of its eligible employees. The amount charged to operations for administrative fees under the plan amounted to \$3,433 and the School did not provide any matching contributions for the period from January 15, 2008 (inception) to June 30, 2009.

FRUCHTER ROSEN & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
156 WEST 56TH STREET
NEW YORK, NEW YORK 10019

TEL: (212) 957-3600
FAX: (212) 957-3696

INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

TO THE BOARD OF TRUSTEES
BRONX COMMUNITY CHARTER SCHOOL

Our report on our audit of the basic financial statements of Bronx Community Charter School (a not-for-profit corporation) for the period from January 15, 2008 (inception) to June 30, 2009 appears on Page 1. We conducted our audit 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 16, 2009

BRONX COMMUNITY CHARTER SCHOOL
(A Not-For-Profit Corporation)
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE PERIOD FROM JANUARY 15, 2008 (INCEPTION) TO JUNE 30, 2009

	Program Services			Management and		Total
	Regular Education	Special Education	Total	General	Fundraising	
Salaries and wages	\$ 683,872	\$ 151,750	\$ 835,622	\$ 155,513	\$ 17,675	\$ 1,008,810
Payroll taxes and employee benefits	111,891	24,676	136,567	30,423	3,006	169,996
Consultants - educational	36,330	2,734	39,064	-	-	39,064
Consultants - other	1,272	-	1,272	20,570	24,175	46,017
Staff training and development	27,640	1,081	28,721	165	-	28,886
Legal fees	-	-	-	375	-	375
Audit and accounting fees	-	-	-	25,170	-	25,170
Marketing and promotion	1,570	539	2,109	479	6,279	8,867
Travel and entertainment	1,429	-	1,429	588	98	2,115
Outside service	3,128	-	3,128	-	-	3,128
Field trips	1,296	98	1,394	-	-	1,394
Student food service	2,585	194	2,779	-	-	2,779
Parent/Student involvement	2,471	831	3,302	327	575	4,204
Books and curriculum	60,137	4,520	64,657	-	-	64,657
Classroom supplies	38,986	2,935	41,921	-	-	41,921
Student transportation	12,885	970	13,855	-	-	13,855
Non-capitalized furniture and equipment	48,892	4,978	53,870	9,472	1,175	64,517
Office expense	11,299	1,735	13,034	3,872	378	17,284
Equipment lease and maintenance	6,418	1,340	7,758	1,215	192	9,165
Cleaning and supplies	18,840	3,686	22,526	3,053	504	26,083
Repairs and maintenance	231	49	280	1,015	7	1,302
Telephone and internet service	3,571	1,066	4,637	2,624	93	7,354
Postage and delivery	3,589	156	3,745	626	446	4,817
Insurance	7,803	1,583	9,386	7,865	232	17,483
Facility expense	86,659	16,528	103,187	16,485	2,555	122,227
Information technology	11,758	2,134	13,892	4,420	273	18,585
Miscellaneous	1,164	70	1,234	1,851	-	3,085
Total	\$ 1,185,716	\$ 223,653	\$ 1,409,369	\$ 286,108	\$ 57,663	\$ 1,753,140

TEL: (212) 957-3600
FAX: (212) 957-3696

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
BRONX COMMUNITY CHARTER SCHOOL

We have audited the financial statements of Bronx Community Charter School (“the School”) as of and for the period from January 15, 2008 (inception) to June 30, 2009, and have issued our report thereon dated October 16, 2009. 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 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 *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 School’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the School’s financial statements that is more than inconsequential will not be prevented or detected by the School’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 School’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.

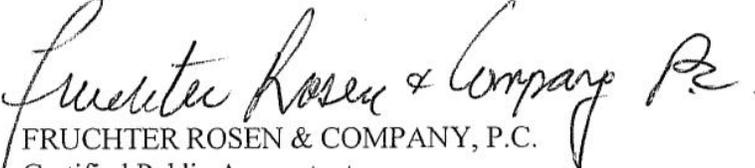
TO THE BOARD OF TRUSTEES
BRONX COMMUNITY CHARTER SCHOOL

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bronx Community Charter School 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 were reported to the management of the School in a separate letter dated October 16, 2009.

This report is intended solely for the information and use of management, the audit committee, Board of Trustees, and federal awarding agencies and pass-through entities 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 16, 2009