

**SOUTH BRONX CLASSICAL CHARTER  
SCHOOL**

**FINANCIAL STATEMENTS**

**JUNE 30, 2007**

# SOUTH BRONX CLASSICAL CHARTER SCHOOL

**CONTENTS**  
**June 30, 2007**

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<b>Independent Auditor's Report</b>	1
<b>Financial Statements:</b>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 7
<b>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></b>	8 - 9



# GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants

## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
South Bronx Classical Charter School

We have audited the accompanying statement of financial position of South Bronx Classical Charter School (the "Charter School") as of June 30, 2007, and the related statements of activities, functional expenses, and cash flows for the period from October 7, 2005 (date of inception) to June 30, 2007. 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.

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 Charter School as of June 30, 2007, and the changes in its net assets and its cash flows for the period from October 7, 2005 (date of inception) to June 30, 2007 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 24, 2007 on our consideration of the Charter 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 audit.

*Goldstein Golub Kessler LLP*

**GOLDSTEIN GOLUB KESSLER LLP**

October 24, 2007

# SOUTH BRONX CLASSICAL CHARTER SCHOOL

## STATEMENT OF FINANCIAL POSITION

June 30, 2007

### ASSETS

Cash	\$417,193
Grants Receivable	191,546
Due from Affiliate	160,030
Prepaid Expenses	20,001
Property and Equipment, net	130,834
<b>Total Assets</b>	<b>\$919,604</b>

### LIABILITIES AND NET ASSETS

#### Liabilities:

Accounts payable and accrued expenses	\$235,104
Refundable advances from state and local government grants	31,349
<b>Total liabilities</b>	<b>266,453</b>

#### Net Assets:

Unrestricted	578,151
Temporarily restricted	75,000
<b>Total net assets</b>	<b>653,151</b>
<b>Total Liabilities and Net Assets</b>	<b>\$919,604</b>

See Notes to Financial Statements

# SOUTH BRONX CLASSICAL CHARTER SCHOOL

## STATEMENT OF ACTIVITIES

Period from October 7, 2005 (date of inception) to June 30, 2007

	Unrestricted	Temporarily Restricted	Total
Revenue and other support:			
State and local per pupil operating revenue	\$1,307,094		\$1,307,094
Government grants	371,495		371,495
Contributions	390,030	\$75,000	465,030
In-kind contributions	70,895		70,895
Other revenue	10,993		10,993
Total revenue and other support	2,150,507	75,000	2,225,507
Expenses:			
Education	1,203,764		1,203,764
General and administrative	368,592		368,592
Total expenses	1,572,356		1,572,356
Change in net assets and net assets at end of period	\$ 578,151	\$75,000	\$ 653,151

See Notes to Financial Statements

# SOUTH BRONX CLASSICAL CHARTER SCHOOL

## STATEMENT OF FUNCTIONAL EXPENSES

Period from October 7, 2005 (date of inception) to June 30, 2007

	Education	General and Administrative	Total
Salaries	\$ 725,033	\$272,104	\$ 997,137
Payroll taxes and benefits	143,001	53,668	196,669
Curricula and books	168,581		168,581
Classroom supplies	34,108		34,108
Substitute teachers	10,713		10,713
Staff development	21,742		21,742
Student meals	4,655		4,655
Accounting and legal fees		18,248	18,248
Busing and trips	18,803		18,803
Office supplies	12,528	4,872	17,400
Technology	4,037	1,570	5,607
Postage	4,544	1,767	6,311
After school	26,055		26,055
Insurance	11,273	4,384	15,657
Depreciation	18,691	7,269	25,960
Other expenses		4,710	4,710
	\$1,203,764	\$368,592	\$1,572,356

See Notes to Financial Statements

# SOUTH BRONX CLASSICAL CHARTER SCHOOL

## STATEMENT OF CASH FLOWS

**Period from October 7, 2005 (date of inception) to June 30, 2007**

Cash flows from operating activities:	
Change in net assets	\$ 653,151
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	25,960
Changes in operating assets and liabilities:	
Increase in grants receivable	(191,546)
Increase in due from affiliate	(160,030)
Increase in prepaid expenses	(20,001)
Increase in accounts payable and accrued expenses	235,104
Increase in refundable advances from state and local government grants	31,349
<b>Net cash provided by operating activities</b>	<b>573,987</b>
Cash used in investing activity - fixed asset acquisitions	(156,794)
Net increase in cash and cash at end of period	\$ 417,193

See Notes to Financial Statements

# SOUTH BRONX CLASSICAL CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS June 30, 2007

### 1. PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

South Bronx Classical Charter School (the "Charter School") is an educational corporation that commenced operating as a charter school in the borough of the Bronx, New York City in 2005. On October 7, 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 is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Charter School's mission is to provide its students with a solid foundation for academic success, through achievement that exceeds citywide averages and meets or exceeds New York State standards and national norms in all curriculum areas tested, especially in mathematics and language arts. It currently serves children in kindergarten through fifth grade.

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 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.

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 statement of financial position.

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.

The Charter School recognizes contributed services in accordance with Statement of Financial Accounting Standards ("SFAS") No. 116, *Accounting for Contributions Received and Contributions Made*. Accordingly, contributed services are recognized as revenue and assets or expenses at fair value if those services (a) create or enhance nonfinancial assets, (b) would typically need to be purchased by the Charter School if they had not been provided by contribution or (c) require special skills and are provided by individuals with those skills. The Charter School received furniture and fixtures and equipment in the estimated fair value of \$70,895 for the period ended June 30, 2007.

A number of volunteers have made a contribution of their time to the Charter School to develop its program and to serve on the board of directors. The value of this contributed time is not reflected in these financial statements.

# SOUTH BRONX CLASSICAL CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS June 30, 2007

Property and equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

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 these estimates.

- 2. RELATED PARTY TRANSACTIONS:** Friends of South Bronx Classical Inc. ("Friends") is a not-for-profit organization dedicated to provide technical and financial assistance to the Charter School. The board of the Charter School includes four members from the board of Friends.

At June 30, 2007, Friends owed the Charter School \$160,030 for contributions it received as trustee. The total amount was paid to the Charter School in the subsequent year.

- 3. TEMPORARILY RESTRICTED NET ASSETS:** Temporarily restricted net assets consist of contributions that are time restricted for the subsequent year.

- 4. 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.

- 5. AGREEMENT FOR SCHOOL FACILITY RENTAL:** 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. 216/217, a New York City public school located at 977 Fox Street, Bronx, New York. The Agreement commenced on July 1, 2006 at \$1 per year and expires two years from the commencement date.

- 6. PROPERTY AND EQUIPMENT, NET:** Property and equipment, net, at cost, consists of:

		Estimated Useful Life
June 30, 2007		
Furniture and fixtures	\$ 84,760	5 years
Computer equipment	33,191	3 years
Library books	38,843	3 years
	156,794	
Less accumulated depreciation	25,960	
	\$130,834	



# GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants

## **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  
South Bronx Classical Charter School

We have audited the financial statements of South Bronx Classical Charter School (the "Charter School") as of June 30, 2007 and for the period from October 7, 2005 (date of inception) to June 30, 2007, and have issued our report thereon dated October 24, 2007. 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 and not to provide 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.

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.

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 the management of the Charter School in a separate letter dated October 24, 2007.

This report is intended solely for the information and use of the audit committee, management, the Charter Schools Institute of the State University of New York and the State Education Department 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.

*Goldstein Golub Kessler LLP*

**GOLDSTEIN GOLUB KESSLER LLP**

October 24, 2007