

BRONX COMMUNITY CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

BRONX COMMUNITY CHARTER SCHOOL  
FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES  
BRONX COMMUNITY CHARTER SCHOOL

We have audited the accompanying statements of financial position of Bronx Community Charter School (the "School") (a not-for-profit corporation) as of June 30, 2010 and 2009, and the related statements of activities, and cash flows for the year ended June 30, 2010 and 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 audits. The prior period, summarized comparative information has been derived from the School's 2009 financial statements and, in our report dated October 16, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide 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, 2010 and 2009, and the changes in its net assets and its cash flows for the year ended June 30, 2010 and 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 September 15, 2010 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

New York, New York  
September 15, 2010

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

	2010	2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 677,920	\$ 396,699
Grants and contracts receivable	61,715	31,252
Prepaid expenses	46,318	27,241
Security deposits	20,150	20,150
Total current assets	806,103	475,342
Property and equipment, net of accumulated depreciation and amortization of \$3,600 and \$-0-, respectively	10,699	14,299
Restricted cash	40,045	10,009
<b>TOTAL ASSETS</b>	<b>\$ 856,847</b>	<b>\$ 499,650</b>
 <b>LIABILITIES AND UNRESTRICTED NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 93,378	\$ 83,518
Accrued payroll and payroll taxes	134,484	101,968
Refundable advances	-	19,119
Total current liabilities	227,862	204,605
Unrestricted net assets	628,985	295,045
<b>TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS</b>	<b>\$ 856,847</b>	<b>\$ 499,650</b>

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

BRONX COMMUNITY CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
STATEMENTS OF ACTIVITIES

	For the year ended June 30, 2010	For the period from January 15, 2008 (date of inception) to June 30, 2009
Revenue and support:		
State and local per pupil operating revenue	\$ 1,941,740	\$ 1,286,080
Federal grants	254,294	192,354
State and city grants	29,223	185,817
Contribution and grants	37,861	376,222
Special events	13,316	-
Interest and other income	5,198	7,712
	<u>2,281,632</u>	<u>2,048,185</u>
 Total revenue and support		
Expenses:		
Program services		
Regular education	1,395,105	1,185,716
Special education	276,537	223,653
Total program services	<u>1,671,642</u>	<u>1,409,369</u>
Supporting services		
Management and general	239,480	286,108
Fundraising	36,570	57,663
	<u>1,947,692</u>	<u>1,753,140</u>
 Total expenses		
Changes in unrestricted net assets	333,940	295,045
Unrestricted net assets - beginning of period	<u>295,045</u>	<u>-</u>
Unrestricted net assets - end of period	<u>\$ 628,985</u>	<u>\$ 295,045</u>

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

BRONX COMMUNITY CHARTER SCHOOL  
(A Not-For-Profit Corporation)  
STATEMENTS OF CASH FLOWS

	For the year ended June 30, 2010	For the period from January 15, 2008 (date of inception) to June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in unrestricted net assets	\$ 333,940	\$ 295,045
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	3,600	-
Changes in certain assets and liabilities:		
(Increase) in grants and contracts receivable	(30,463)	(31,252)
(Increase) in prepaid expense	(19,077)	(25,578)
(Increase) in security deposits	-	(20,150)
Increase in accounts payable and accrued expenses	9,860	81,855
Increase in accrued payroll and payroll taxes	32,516	101,968
(Decrease) Increase in refundable advances	(19,119)	19,119
	311,257	421,007
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(14,299)
(Increase) in restricted cash	(30,036)	(10,009)
	(30,036)	(24,308)
NET CASH (USED IN) INVESTING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	281,221	396,699
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	396,699	-
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 677,920	\$ 396,699

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

BRONX COMMUNITY CHARTER SCHOOL  
FINANCIAL STATEMENTS  
JUNE 30, 2010

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 150 students in kindergarten through second grade in the 2009-2010 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

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

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, 2010

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, 2010 and 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, 2010

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:

Computer 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 June 2009, the FASB issued FASB ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the School has updated references to GAAP in its financial statements issued for the year ending June 30, 2010. The adoption of FASB ASC 105 did not impact the School's financial position or results of operations.

BRONX COMMUNITY CHARTER SCHOOL  
FINANCIAL STATEMENTS  
JUNE 30, 2010

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

Recent Accounting Pronouncements (Continued)

The School adopted the provisions of ASC 740, Income Taxes, as of July 1, 2009. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of income tax position taken or expected to be taken in a tax return. The School has reviewed its tax positions for open tax years and has concluded that the adoption of this standard did not have an impact on the financial statements of the School.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of federal and city entitlements. 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,:

	2010	2009
Computer equipment	\$ 12,809	\$ 12,809
Furniture and fixture	1,490	1,490
	14,299	14,299
Less: Accumulated depreciation and amortization	3,600	-
	\$ 10,699	\$ 14,299

Depreciation and amortization expense was \$3,600 and \$-0- for the year ended June 30, 2010 and the period from January 15, 2008 (inception) to June 30, 2009, respectively.

NOTE 4 - COMMITMENTS

The School was obligated under a non-cancelable operating sublease for office and classroom space that expired June 30, 2010. In February 2010, the School and the Sublandlord mutually agreed to extend the sublease for a period of one year through June 30, 2011.

Rent expense under the operating lease for the year ended June 30, 2010 and for the period from January 15, 2008 (inception) to June 30, 2009 amounted to \$128,765 and \$115,263, respectively. Future minimum lease payments for the year ended June 30, 2011 will be \$128,765.

BRONX COMMUNITY CHARTER SCHOOL  
FINANCIAL STATEMENTS  
JUNE 30, 2010

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.

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. Under the plan, the School will match employee contributions up to 4% of annual compensation. Employee match for the year ended June 30, 2010 and the period from January 15, 2008 (inception) to June 30, 2009 amounted to \$29,132 and \$-0-, respectively. In addition, the amount charged to operations for administrative fees under the plan amounted to \$2,064 and \$3,433 for the year ended June 30, 2010 and for the period from January 15, 2008 (inception) to June 30, 2009, respectively.

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INDEPENDENT AUDITORS' REPORT  
ON ADDITIONAL INFORMATION

TO THE BOARD OF TRUSTEES  
BRONX COMMUNITY CHARTER SCHOOL

Our report on our audits of the basic financial statements of Bronx Community Charter School (a not-for-profit corporation) as of June 30, 2010 and 2009, appears on Page 1. We conducted our audits 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 audits 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  
September 15, 2010

**BRONX COMMUNITY CHARTER SCHOOL**  
(A Not-For-Profit Corporation)  
**SCHEDULE OF FUNCTIONAL EXPENSES**

	For the year ended June 30, 2010				Total	Fundraising	Total	For the period from January 15, 2008 (date of inception) to June 30, 2009
	Program Services			Management and General				
	Regular Education	Special Education	Total	General				
Salaries and wages	\$ 908,584	\$ 183,233	\$ 1,091,817	\$ 131,111	\$ 21,983	\$ 1,244,911	\$ 1,008,810	
Payroll taxes and employee benefits	170,750	34,435	205,185	24,640	4,131	233,956	169,996	
Consultants - educational	29,383	15,238	44,621	-	-	44,621	39,064	
Consultants - other	395	75	470	7,171	12	7,653	46,017	
Staff training and development	29,411	1,285	30,696	9,651	-	40,347	28,886	
Legal fees	-	-	-	-	-	-	375	
Audit and accounting fees	-	-	-	19,311	-	19,311	25,170	
Marketing and promotion	-	-	-	-	150	150	8,867	
Travel and entertainment	1,034	61	1,095	311	-	1,406	2,115	
Outside service	468	52	520	-	-	520	3,128	
Field trips	2,462	-	2,462	-	-	2,462	1,394	
Student food service	7,691	855	8,546	-	-	8,546	2,779	
Parent/Student involvement	7,146	730	7,876	1,211	-	9,087	4,204	
Books and curriculum	19,592	2,216	21,808	-	-	21,808	64,657	
Classroom supplies	21,692	2,072	23,764	-	-	23,764	41,921	
Student transportation	12,960	1,440	14,400	-	-	14,400	13,855	
Non-capitalized furniture and equipment	11,537	286	11,823	1,080	-	12,903	64,517	
Office expense	3,229	536	3,765	2,260	66	6,091	17,284	
Equipment lease and maintenance	4,155	862	5,017	590	105	5,712	9,165	
Repairs and maintenance	18,992	3,970	22,962	10,914	478	34,354	27,385	
Telephone and internet service	8,376	1,725	10,101	1,453	208	11,762	7,354	
Postage and delivery	4,154	255	4,409	611	31	5,051	4,817	
Insurance	19,294	4,164	23,458	8,965	498	32,921	17,483	
Facility expense	101,432	21,050	122,482	14,437	2,552	139,471	122,227	
Information technology	11,012	1,945	12,957	1,566	231	14,754	18,585	
Fundraising expense	-	-	-	-	6,125	6,125	-	
Depreciation and amortization	-	-	-	3,600	-	3,600	-	
Miscellaneous	1,356	52	1,408	598	-	2,006	3,085	
<b>Total</b>	<b>\$ 1,395,105</b>	<b>\$ 276,537</b>	<b>\$ 1,671,642</b>	<b>\$ 239,480</b>	<b>\$ 36,570</b>	<b>\$ 1,947,692</b>	<b>\$ 1,753,140</b>	

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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 year ended June 30, 2010, and have issued our report thereon dated September 15, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

TO THE BOARD OF TRUSTEES  
BRONX COMMUNITY CHARTER SCHOOL

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the School in a separate letter dated September 15, 2010.

This report is intended solely for the information and use of management, Board of Trustees, federal, state and local awarding agencies, The Department of Education of the City of New York, The State Education Department of the State University of New York, and others within the School 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  
September 15, 2010