

BRONX LIGHTHOUSE CHARTER SCHOOL
FINANCIAL REPORT
JUNE 30, 2009

BRONX LIGHTHOUSE CHARTER SCHOOL

FINANCIAL REPORT

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INDEPENDENT AUDITORS' REPORT

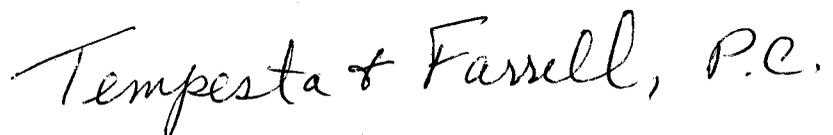
To the Board of Directors of
Bronx Lighthouse Charter School
Bronx, New York

We have audited the accompanying statements of financial position of Bronx Lighthouse Charter School (the "School") as of June 30, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. 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.

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 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 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 Bronx Lighthouse Charter School as of June 30, 2009 and 2008, and the changes in its net assets and cash flows for the years 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 5, 2009, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.



New York, New York
October 5, 2009

**BRONX LIGHTHOUSE CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008**

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 1,866,917	\$ 1,102,760
Restricted cash	107,257	24,032
Receivables	149,301	37,235
Prepaid expenses	-	12,501
Security deposits	29,930	19,505
Fixed assets - net	69,849	24,274
Total assets	\$ 2,223,254	\$ 1,220,307
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 211,180	\$ 85,307
Accrued payroll and payroll taxes	411,111	299,370
Accrued compensated absences	19,312	27,323
Note payable	-	6,842
Total liabilities	641,602	418,841
Commitments and Contingencies		
Net assets		
Unrestricted	1,581,652	801,466
Total net assets	1,581,652	801,466
Total liabilities and net assets	\$ 2,223,254	\$ 1,220,307

See Accompanying Notes to Financial Statements.

**BRONX LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
(With Comparative Totals For June 30, 2008)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2009</u>	<u>Total 2008</u>
REVENUE AND SUPPORT:				
Student enrollment	\$ 4,961,038	\$ -	\$ 4,961,038	\$ 3,767,464
Federal grants	559,281	-	559,281	249,729
Public support	9,640	-	9,640	46,840
Investment income	3,451	-	3,451	22,595
Other	30,879	-	30,879	16,256
In-kind donation	605,000	-	605,000	605,000
Total revenue and support	<u>6,169,288</u>	<u>-</u>	<u>6,169,288</u>	<u>4,707,885</u>
EXPENSES:				
Program services:				
Educational Services	4,592,541	-	4,592,541	3,669,369
Total program expenses	<u>4,592,541</u>	<u>-</u>	<u>4,592,541</u>	<u>3,669,369</u>
Supporting services:				
Management and general	795,085	-	795,085	608,286
Fundraising Expenses	1,476	-	1,476	-
Total supporting services	<u>796,562</u>	<u>-</u>	<u>796,562</u>	<u>608,286</u>
Total expenses	<u>5,389,102</u>	<u>-</u>	<u>5,389,102</u>	<u>4,277,655</u>
Change in net assets	780,186	-	780,186	430,230
Net assets - beginning of year	<u>801,466</u>	<u>-</u>	<u>801,466</u>	<u>371,236</u>
Net assets, end of year	<u>\$ 1,581,652</u>	<u>\$ -</u>	<u>\$ 1,581,652</u>	<u>\$ 801,466</u>

See Accompanying Notes to Financial Statements.

**BRONX LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2008</u>
REVENUE AND SUPPORT:			
Student enrollment	\$ 3,767,464	\$ -	\$ 3,767,464
Federal grants	249,729	-	249,729
Public support	46,840	-	46,840
Investment income	22,595	-	22,595
Other	16,256	-	16,256
In-kind donation	605,000	-	605,000
Net assets released from restrictions	35,035	(35,035)	-
Total revenue and support	<u>4,742,920</u>	<u>(35,035)</u>	<u>4,707,885</u>
 EXPENSES:			
Program services:			
Educational Services	<u>3,669,369</u>	-	<u>3,669,369</u>
Total program expenses	<u>3,669,369</u>	-	<u>3,669,369</u>
Supporting services:			
Management and general	<u>608,286</u>	-	<u>608,286</u>
Total supporting services	<u>608,286</u>	-	<u>608,286</u>
Total expenses	<u>4,277,655</u>	-	<u>4,277,655</u>
Change in net assets	465,265	(35,035)	430,230
Net assets - beginning of year	<u>336,201</u>	<u>35,035</u>	<u>371,236</u>
Net assets, end of year	<u>\$ 801,466</u>	<u>\$ -</u>	<u>\$ 801,466</u>

See Accompanying Notes to Financial Statements.

BRONX LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009
(With Comparative Totals For June 30, 2008)

	EDUCATIONAL SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL 2009	TOTAL 2008
Salaries	\$ 2,324,941	\$ 230,627	\$ -	\$ 2,555,568	\$ 2,129,358
Payroll taxes and fringe benefits	676,507	67,107	-	743,615	526,810
	<u>3,001,449</u>	<u>297,734</u>	-	<u>3,299,183</u>	<u>2,656,168</u>
Professional fees and Consultants	27,989	53,902	-	81,892	71,099
Management fees - Lighthouse Academies	40,500	121,500	-	162,000	114,000
Contracted services - other	16,055	53,878	-	69,933	40,761
Supplies	204,933	22,545	-	227,478	200,778
Advertising	-	9,105	-	9,105	1,716
Food	14,342	-	-	14,342	24,597
Fundraising	-	-	1,476	1,476	-
Insurance	-	79,737	-	79,737	76,373
Library	41,720	-	-	41,720	11,771
Repairs & maintenance	51,193	5,688	-	56,881	67,499
Printing	-	22,316	-	22,316	17,551
Staff development and recruitment	374,516	6,613	-	381,129	90,243
Telephone	16,933	1,881	-	18,814	14,714
Field trips and other activities	11,027	-	-	11,027	7,546
Travel	-	8,159	-	8,159	8,451
Utilities	169,045	18,783	-	187,828	161,222
In-kind donation - facility	526,500	58,500	-	585,000	585,000
In-kind donation - textbooks	20,000	-	-	20,000	20,000
Other	30,811	29,685	-	60,496	57,514
Interest	-	-	-	-	1,708
Depreciation and amortization	45,527	5,059	-	50,586	48,944
	<u>\$ 4,592,541</u>	<u>\$ 795,085</u>	<u>\$ 1,476</u>	<u>\$ 5,389,102</u>	<u>\$ 4,277,655</u>

See Accompanying Notes to Financial Statements.

**BRONX LIGHTHOUSE CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008**

	EDUCATIONAL SERVICES	MANAGEMENT AND GENERAL	TOTAL 2008
Salaries	\$ 1,934,387	\$ 194,971	\$ 2,129,358
Payroll taxes and fringe benefits	478,574	48,236	526,810
	<u>2,412,961</u>	<u>243,207</u>	<u>2,656,168</u>
Professional fees and Consultants	54,071	17,028	71,099
Management fees - Lighthouse Academies	28,500	85,500	114,000
Contracted services - other	-	40,761	40,761
Supplies	200,778	-	200,778
Advertising	-	1,716	1,716
Food	24,597	-	24,597
Insurance	-	76,373	76,373
Library	11,771	-	11,771
Repairs & maintenance	60,749	6,750	67,499
Printing	-	17,551	17,551
Staff development and recruitment	90,243	-	90,243
Telephone	13,243	1,471	14,714
Field trips and other activities	7,546	-	7,546
Travel	-	8,451	8,451
Utilities	145,100	16,122	161,222
In-kind donation - facility	526,500	58,500	585,000
In-kind donation - textbooks	20,000	-	20,000
Other	24,366	33,148	57,514
Interest	-	1,708	1,708
Depreciation and amortization	48,944	-	48,944
	<u>\$ 3,669,369</u>	<u>\$ 608,286</u>	<u>\$ 4,277,655</u>

See Accompanying Notes to Financial Statements.

**BRONX LIGHTHOUSE CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 780,186	\$ 430,230
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	50,586	48,944
Changes in:		
Receivables	(112,066)	99,186
Prepaid expenses	12,501	61,770
Security deposits	(10,425)	-
Accounts payable and accrued expenses	125,873	12,390
Accrued payroll and payroll taxes	111,740	18,186
Accrued compensated absences	(8,011)	3,630
Net cash provided by operating activities	<u>950,385</u>	<u>674,336</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(96,162)	(5,466)
Net cash used in investing activities	<u>(96,162)</u>	<u>(5,466)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Note Payable	(6,842)	(73,551)
Payment of capital leases	-	(12,208)
Net cash used in financing activities	<u>(6,842)</u>	<u>(85,759)</u>
Net increase in cash	847,381	583,111
CASH AND RESTRICTED CASH, beginning of year	<u>1,126,793</u>	<u>543,681</u>
CASH AND RESTRICTED CASH, end of year	<u>\$ 1,974,174</u>	<u>\$ 1,126,792</u>
<u>SUPPLEMENTAL DATA:</u>		
Interest paid	\$ -	\$ 1,708

See Accompanying Notes to Financial Statements.

**BRONX LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1. ORGANIZATION

Bronx Lighthouse Charter School ("the School") is a Charter School incorporated on May 18, 2004, pursuant to the New York Charter School Act of 1998. The School's charter is for a period of five years commencing on July 1, 2005. The School is located in the South Bronx, and offers classes from Kindergarten through seventh grade. In 2009, the School's charter was renewed for another five years.

The School is also an affiliate of Lighthouse Academies, Inc., ("Lighthouse Academies") a Delaware nonprofit corporation. Lighthouse Academies provides business and educational management services to the School.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of policies is provided to assist the reader in the interpretation of the accompanying financial statements.

A) Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

B) Financial Statement Presentation

The School reports its financial position and operating activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The classification of net assets and related support, revenue and expenses is based on the presence or absence of donor-imposed restrictions.

These classifications are defined as follows:

Permanently Restricted – net assets, generally of an endowment nature, resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulation that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the recipient. The School has no permanently restricted net assets.

Temporarily Restricted - net assets resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions taken pursuant to those stipulations. When stipulations terminate or are fulfilled, the amounts involved are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The School has no temporarily restricted net assets.

Unrestricted – unexpended net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.

**BRONX LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C) 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D) Cash and Cash Equivalents

For the purpose of the statements of cash flows, the School considers highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

E) Fixed Assets

Fixed assets such as furniture and equipment, which are required to be expensed for contract reimbursement purposes, have been capitalized for financial reporting purposes (when cost exceeds \$1,000), and are depreciated over their respective estimated useful lives, generally not exceeding seven years. Building and building improvements are depreciated over 39 years. Leasehold improvements are capitalized at cost and amortized over the lesser of the term of the lease or the estimated useful life of the improvement.

Under the terms of its grant with its principal government-funding agency, title to capitalized assets acquired with government contract revenues reverts to that agency in the event the School should cease operations.

F) Revenue

Student enrollment fees received for future years are deferred to the applicable year and are shown as deferred revenue on the statements of financial position.

The School is reimbursed based on the approved per pupil operating expenses of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved per pupil operating expenses and the full time equivalent student enrollment of the School. The School is also the recipient of awards from other various government entities. The awards are subject to compliance requirements and financial audits by the funding source.

G) Tax-Exempt Status

The School is a nonprofit organization exempt from Federal income taxes under the provisions of Section 501 (c) (3) of the Internal Revenue Code.

**BRONX LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H) Functional Allocation of Expenses

The direct costs of providing educational programs and other activities have been summarized on a functional basis in the statements of activities. In addition, certain indirect costs have been allocated among the programs.

NOTE 3. RESTRICTED CASH

The School is required to deposit \$1,089 per month into a contingency fund to serve as a reserve for its lease payments. In addition, at the request of the New York City Department of Education, the School established a dissolution escrow as a contingency fund for dissolution expenses. The restricted cash balance as of June 30, 2009 and 2008 was \$107,257 and \$24,032, respectively.

NOTE 4. RECEIVABLES

Receivables are summarized as follows:

	<u>2009</u>	<u>2008</u>
State Education Department	\$ 41,343	\$ 37,235
U.S. Department of Education	96,898	-
New York City Department of Education	10,156	-
Other	<u>904</u>	<u>-</u>
	<u>\$ 149,301</u>	<u>\$ 37,235</u>

NOTE 5. FIXED ASSETS

Fixed assets are summarized as follows:

	<u>2009</u>	<u>2008</u>
Furniture & equipment	\$ 71,416	\$ 71,416
Computer equipment	<u>262,482</u>	<u>166,321</u>
	333,898	237,737
Less: accumulated amortization	(136,987)	(136,987)
Less: accumulated depreciation	<u>(127,062)</u>	<u>(76,476)</u>
	<u>\$ 69,849</u>	<u>\$ 24,274</u>

**BRONX LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 6. NOTE PAYABLE

During 2005, the School obtained a promissory note from its affiliate, Lighthouse Academies, for \$230,000. The note calls for equal monthly installment payments of \$6,842, including interest of 4.5% per annum. The note matured on June 30, 2008 and is collateralized by the furniture and equipment of the School. As of June 30, 2009 and 2008, the outstanding balance on the note was \$0 and \$6,842, respectively.

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

In 2006, the School received a restricted grant from its affiliate, Lighthouse Academies, in the amount of \$79,062. In addition, during 2007, the School also received restrictive grants from Lighthouse Academies for \$110,000 and \$50,000. The grants are passed through funds received from various foundations for the benefit of the School. The unspent funds of \$35,035 as of June 30, 2007, were spent in 2008.

NOTE 8. MANAGEMENT FEES

The School has contracted the management of certain academic and business operations to Lighthouse Academies. The contract, which expired June 30, 2009, calls for annual management fee payments of \$125,000 with a bonus provision subject to the school meeting certain milestones. The contract was extended for another five years. Travel and other direct expenses are also reimbursed to Lighthouse Academies. For the years ended June 30, 2009 and 2008, management fees, bonuses and reimbursed expenses totaled \$182,391 and \$127,183, respectively.

NOTE 9. RETIREMENT PLAN

The School has a 401(k) Plan for employees who are at least 21 years old and have completed one month of service. The eligibility requirement is waived for all employees hired as of September 1, 2004. Matching contributions are discretionary each plan year. In order for an employee to receive an allocation he or she must have deferred compensation and be employed on the last day of the plan year (June 30). Employer contributions made to the plan is fully vested in three years. For the years ended June 30, 2009 and 2008, employer contributions totaled \$88,000 and \$75,000, respectively.

**BRONX LIGHTHOUSE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 10. IN-KIND DONATIONS

New York City Department of Education donates space to the School for the purpose set forth in the School's Charter. The agreement commenced on July 1, 2005 and terminates in one year or upon the expiration/termination of the School's charter or upon expiration/termination of the lease in the event that the School is located in a leased premise, whichever is earlier. The agreement may be extended by a written agreement signed by the parties. The agreement was renewed for 2009 and 2008. The annual fee for the use of the dedicated space is \$1. Management estimates the fair market value for the space is \$585,000 in 2009 and 2008. The donated services have been reflected in the accompanying statements of activities.

The School also received donated textbooks throughout the year. For 2009 and 2008, the fair market values of donated textbooks were \$20,000 for both years.

NOTE 11. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions, which from time to time exceed the Federal Depository Insurance Coverage (FDIC) limit.

Concentration of risk also exists between the School and the New York City Department of Education. The School receives a significant portion of its funding from New York City Department of Education in the form of student enrollment fees.

NOTE 12. RELATED PARTY

- A) The School has a management fee arrangement with its affiliate, Lighthouse Academies, to provide educational and business services (See Note 8).
- B) The School had entered into a loan agreement with its affiliate, Lighthouse Academies, in the amount of \$230,000 (see Note 6). This loan was paid off in July, 2008.
- C) The School has entered into several capital lease arrangements with its affiliate, Lighthouse Academies, to provide furniture and equipments for its operation. These leases expired in 2008.

NOTE 13. LINE OF CREDIT

The School has an available line of credit for \$400,000 from a financial institution. The line of credit is payable upon demand with an interest rate determined by the bank's prime rate. There was no outstanding balance as of June 30, 2009 and June 30, 2008.

Tempesta & Farrell, P.C.

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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 Directors
Bronx Lighthouse Charter School
Bronx, New York

We have audited the financial statements of Bronx Lighthouse Charter School ("the School") as of and for the year ended June 30, 2009, and have issued our report thereon dated October 5, 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 audits, 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 organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization'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 organization'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 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 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*.

This report is intended solely for the information and use of the board of directors, management, 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.

Tempesta & Farrell, P.C.

New York, New York
October 5, 2009