

**NEW YORK CENTER FOR AUTISM
CHARTER SCHOOL**

FINANCIAL STATEMENTS

JUNE 30, 2007

NEW YORK CENTER FOR AUTISM CHARTER SCHOOL

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GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
New York Center for Autism Charter School

We have audited the accompanying statement of financial position of New York Center for Autism Charter School (the "Charter School") as of June 30, 2007, and the related statements of activities, functional expenses, and cash flows for the year ended 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. The prior-period summarized comparative information has been derived from the financial statements of New York Center for Autism Charter School as of June 30, 2006 and, in our report dated August 18, 2006, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 year ended 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 19, 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 19, 2007

NEW YORK CENTER FOR AUTISM CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

June 30,	2007	2006
ASSETS		
Cash and Cash Equivalents	\$ 379,389	\$ 508,007
Pledge Receivable, net	2,310,407	2,450,407
Grant and Tuition Receivables	33,700	123,117
Prepaid Expenses and Other Assets	15,440	10,707
Property and Equipment, net	275,400	105,128
Total Assets	\$3,014,336	\$3,197,366
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 134,126	\$ 58,433
Refundable advances from state and local government grants		61,024
Capital lease obligation	15,558	19,810
Total liabilities	149,684	139,267
Net Assets:		
Unrestricted	1,193,179	576,914
Temporarily restricted	1,671,473	2,481,185
Total net assets	2,864,652	3,058,099
Total Liabilities and Net Assets	\$3,014,336	\$3,197,366

See Notes to Financial Statements

NEW YORK CENTER FOR AUTISM CHARTER SCHOOL

STATEMENT OF ACTIVITIES

(with summarized comparative information for the period from April 15, 2005 (date of inception) to June 30, 2006)

	Year ended June 30, 2007			Period from April 15, 2005 (date of inception) to June 30, 2006
	Unrestricted	Temporarily Restricted	Total	Total
Operating revenue:				
State and local per pupil operating revenue	\$1,074,720		\$1,074,720	\$ 486,699
State and local government grants	281,567		281,567	227,883
Total operating revenue	1,356,287		1,356,287	714,582
Expenses:				
Program services - regular education	1,271,140		1,271,140	614,188
Supporting services:				
General and administrative	364,544		364,544	233,701
Fund-raising	44,271		44,271	5,000
Total supporting services	408,815		408,815	238,701
Total operating expenses	1,679,955		1,679,955	852,889
Net deficit from school operations	(323,668)		(323,668)	(138,307)
Contributions	120,910		120,910	3,193,757
Other income	9,311		9,311	2,649
Net assets released from restrictions - satisfaction of purpose and time restrictions	809,712	\$ (809,712)		
Change in net assets	616,265	(809,712)	(193,447)	3,058,099
Net assets at beginning of period	576,914	2,481,185	3,058,099	
Net assets at end of period	\$1,193,179	\$1,671,473	\$2,864,652	\$3,058,099

See Notes to Financial Statements

NEW YORK CENTER FOR AUTISM CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

(with summarized comparative information for the period from April 15, 2005 (date of inception) to June 30, 2006)

Period from
April 15,
2005
(date of
inception)
to June 30,
2006

Year ended June 30, 2007

	Program Services - Regular Education	General and Administrative	Fund- raising	Total Supporting Services	Total	Total
Salaries and wages	\$ 763,080	\$199,393	\$37,411	\$236,804	\$ 999,884	\$520,077
Payroll taxes and fringe benefits	139,915	36,560	6,860	43,420	183,335	84,996
Consulting and professional fees	146,976				146,976	104,255
Accounting fees		72,265		72,265	72,265	23,989
Classroom and teaching supplies	47,745				47,745	19,464
Staff recruitment and development	9,174	13,324		13,324	22,498	7,031
Noncapitalized furniture and equipment	3,104	2,714		2,714	5,818	24,247
Communications and outreach	13,855	3,464		3,464	17,319	7,812
Travel	3,607	902		902	4,509	6,376
Office	24,634	6,159		6,159	30,793	11,838
Insurance	19,319	4,830		4,830	24,149	21,585
Depreciation and amortization	63,339	15,835		15,835	79,174	21,219
Repairs and maintenance	36,392	9,098		9,098	45,490	
	\$1,271,140	\$364,544	\$44,271	\$408,815	\$1,679,955	\$852,889

See Notes to Financial Statements

NEW YORK CENTER FOR AUTISM CHARTER SCHOOL

STATEMENT OF CASH FLOWS

	Year ended June 30, 2007	Period from April 15, 2005 (date of inception) to June 30, 2006
Cash flows from operating activities:		
Change in net assets	\$(193,447)	\$ 3,058,099
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	79,174	21,219
Donated furniture and fixtures		(28,632)
Changes in operating assets and liabilities:		
Decrease (increase) in pledge receivable, net	140,000	(2,450,407)
Decrease (increase) in grant and tuition receivables	89,417	(123,117)
Increase in prepaid expenses and other assets	(4,733)	(10,707)
Increase in accounts payable and accrued expenses	75,693	58,433
(Decrease) increase in refundable advances from state and local government grants	(61,024)	61,024
Net cash provided by operating activities	125,080	585,912
Cash used in investing activity - purchases of property and equipment	(249,446)	(75,170)
Cash used in financing activity - payments made on capital lease obligation, net of proceeds	(4,252)	(2,735)
Net increase (decrease) in cash and cash equivalents	(128,618)	508,007
Cash and cash equivalents at beginning of period	508,007	
Cash and cash equivalents at end of period	\$ 379,389	\$ 508,007

Supplemental disclosure of cash flow information:

Cash paid during the period for interest	\$ 765	\$ 609
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Supplemental schedule of noncash investing and financing activity:

Purchase of equipment financed by capital lease		\$ 22,545
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See Notes to Financial Statements

NEW YORK CENTER FOR AUTISM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS June 30, 2007

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.

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.

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-period 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 period from April 15, 2005 (date of inception) to June 30, 2006 from which the summarized information was derived.

NEW YORK CENTER FOR AUTISM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

may exceed federally insured limits. The Charter School has not experienced any losses in such account.

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

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 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 statement of functional expenses. Certain costs have been allocated among program and supporting services.

**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.

NEW YORK CENTER FOR AUTISM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS June 30, 2007

Pledge payments outstanding pertaining to year ended
June 30, 2007 \$ 698,763

Pledge payments due in future periods:

Year ending June 30,	
2008	574,149
2009	584,216
2010	626,056

2,483,184

Less unamortized discount on pledge receivable 172,777

\$2,310,407

3. PROPERTY AND EQUIPMENT, NET:

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

June 30,	2007	2006	Estimated Useful Life
Furniture and fixtures	\$100,848	\$ 38,544	5 years
Computer hardware and software	67,562	46,036	3 years
Equipment obtained under capital lease	22,545	22,545	5 years
Leasehold improvements	159,077		
Construction-in-progress	25,761	19,222	
	375,793	126,347	
Less accumulated depreciation and amortization	100,393	21,219	
	\$275,400	\$105,128	

Accumulated depreciation pertaining to equipment obtained under a capital lease at June 30, 2007 and 2006 amounted to \$7,515 and \$3,006, respectively.

4. CAPITAL LEASE OBLIGATIONS:

The Charter School leases office equipment under a capital lease expiring 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.

NEW YORK CENTER FOR AUTISM CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS June 30, 2007

Future minimum lease payments under the lease are as follows:

Year ending June 30,	
2008	\$ 5,017
2009	5,017
2010	5,017
2011	1,672
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Total minimum lease payments	16,723
Less amount representing interest	1,165
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Present value of minimum lease payments	\$15,558

5. RELATED PARTY TRANSACTIONS:

From inception, the Charter School has been assisted in the pursuit of its educational goals by its affiliate, NYCA. More specifically, 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 will support the fiscal operations and development of the Charter School, implement a comprehensive fund-raising campaign to support the operations and initiatives of the Charter School, facilitate a collaborative strategic planning process, provide administrative support and resources, provide the Charter School with access to its research and design symposia, scientific forums and research initiatives jointly with the Charter School, assist 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 \$140,000 of financial support from NYCA during the year ended June 30, 2007.

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 100th 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 June 30, 2007

**7. TEMPORARILY
RESTRICTED
NET ASSETS:**

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

June 30,	2007	2006
Life Skills Center project		\$ 30,778
Time restricted for future periods (see Note 2)	\$1,671,473	2,450,407
	\$1,671,473	\$2,481,185

During the year ended June 30, 2007, net assets were released from donor restrictions by incurring expenses of \$30,778 in connection with the Life Skills Center project. Additionally, the time period for future payment of a multi-year pledge from NYCA had lapsed and one payment against this pledge was received in the amount of \$140,000 resulting in a release from time restrictions aggregating \$778,934. The total purpose and time restrictions released during the year ended June 30, 2007 amounted to \$809,712.

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.

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.



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
New York Center for Autism Charter School

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, 2007 and have issued our report thereon dated October 19, 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 - 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 19, 2007.

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.

Goldstein Golub Kessler LLP

GOLDSTEIN GOLUB KESSLER LLP

October 19, 2007