

Opportunity Charter School
(in accordance with *Government Auditing Standards* and OMB Circular A-133)

Financial Report

June 30, 2010

Contents

Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 9
Independent Auditor's 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>	10 - 11
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	12 - 13
Supplementary Information:	
Schedule of Expenditures of Federal Awards	14
Schedule of Findings and Questioned Costs	15 - 16

Independent Auditor's Report

To the Board of Directors
Opportunity Charter School
New York, New York

We have audited the accompanying statement of financial position of Opportunity Charter School (the "Charter School") as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. 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-year summarized comparative information has been derived from the Charter School's 2009 financial statements and, in our report dated October 30, 2009, we expressed an unqualified opinion on those financial statements.

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, 2010, and the changes in its net assets and its cash flows for the year 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 28, 2010, on our consideration of the Charter School's internal control over financial reporting and 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 taken as a whole.



New York, New York
October 28, 2010

Opportunity Charter School

**Statements of Financial Position
June 30, 2010 and 2009**

	2010	2009
ASSETS		
Cash and Cash Equivalents	\$ 586,286	\$ 812,976
Accounts Receivable	232,750	485,055
Prepaid Expenses and Other	123,357	79,314
Property and Equipment, net	<u>614,192</u>	<u>515,943</u>
Total assets	<u>\$ 1,556,585</u>	<u>\$ 1,893,288</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,283,255	\$ 916,033
Capital lease obligations	<u>-</u>	<u>21,899</u>
Total liabilities	1,283,255	937,932
Commitments and Contingencies		
Net Assets - unrestricted	<u>273,330</u>	<u>955,356</u>
Total liabilities and net assets	<u>\$ 1,556,585</u>	<u>\$ 1,893,288</u>

See Notes to Financial Statements.

Opportunity Charter School

Statements of Activities

(with summarized financial information for the year ended June 30, 2009)

Years Ended June 30, 2010 and 2009

	2010		2009	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Summarized Comparative Total</u>
Operating Revenue:				
State and local per pupil operating revenue	\$ 8,867,232	\$ -	\$ 8,867,232	\$ 8,377,521
Government grants	840,866	-	840,866	408,813
Total operating revenue	<u>9,708,098</u>	<u>-</u>	<u>9,708,098</u>	<u>8,786,334</u>
Operating Expenses:				
Program services:				
General education	3,588,555	-	3,588,555	2,545,208
Special education	6,100,641	-	6,100,641	5,870,839
General and administrative	910,307	-	910,307	768,556
Total operating expenses	<u>10,599,503</u>	<u>-</u>	<u>10,599,503</u>	<u>9,184,603</u>
Deficit on school operations from government funding	<u>(891,405)</u>	<u>-</u>	<u>(891,405)</u>	<u>(398,269)</u>
Support and Other Revenue (Expenses):				
Contributions	28,005	256,050	284,055	352,330
Net assets released from restrictions - satisfaction of purpose restriction	256,050	(256,050)	-	-
Other income	26,577	-	26,577	14,250
Fund-raising expenses	(101,253)	-	(101,253)	(115,292)
Total support and other revenue (expenses)	<u>209,379</u>	<u>-</u>	<u>209,379</u>	<u>251,288</u>
Change in net assets	<u>(682,026)</u>	<u>-</u>	<u>(682,026)</u>	<u>(146,981)</u>
Net Assets:				
Beginning	<u>955,356</u>	<u>-</u>	<u>955,356</u>	<u>1,102,337</u>
Ending	<u>\$ 273,330</u>	<u>\$ -</u>	<u>\$ 273,330</u>	<u>\$ 955,356</u>

See Notes to Financial Statements.

Opportunity Charter School

Statements of Functional Expenses
(with summarized financial information for the year ended June 30, 2009)
Years Ended June 30, 2010 and 2009

	2010			2009				
	Program Services			Supporting Services			Summarized	
	General Education	Special Education	Total Program Services	General and Administrative	Fund- Raising	Total Supporting Services	Total	Comparative Total
Salaries	\$ 2,124,372	\$ 4,518,354	\$ 6,642,726	\$ 276,509	\$ 78,950	\$ 355,459	\$ 6,998,185	\$ 6,389,913
Employee benefits and payroll taxes	1,033,704	1,075,896	2,109,600	66,262	22,303	88,565	2,198,165	1,670,973
Classroom supplies	74,290	78,024	152,314	-	-	-	152,314	228,125
Texts and instructional materials	58,177	60,550	118,727	-	-	-	118,727	108,566
Professional development	7,876	9,520	17,396	468	-	468	17,864	87,797
Accounting and financial audit	-	-	-	65,373	-	65,373	65,373	122,190
Computer and other consultants	226,391	291,826	518,217	59,308	-	59,308	577,525	240,373
Insurance	1,157	1,205	2,362	84,605	-	84,605	86,967	31,657
Printing and copying	-	-	-	4,168	-	4,168	4,168	7,239
Legal and other filing fees	2,483	2,708	5,191	34,664	-	34,664	39,855	82,208
Meeting and conferences	5,442	5,664	11,106	284	-	284	11,390	39,261
Office equipment and other supplies	1,819	1,894	3,713	60,927	-	60,927	64,640	29,919
Postage and delivery	7,502	7,808	15,310	637	-	637	15,947	10,111
Student and teacher recruitment	5,027	5,233	10,260	-	-	-	10,260	32,298
Repairs and maintenance	195	201	396	1,513	-	1,513	1,909	4,138
Facility utilities	40,120	41,758	81,878	4,514	-	4,514	86,392	38,285
Interest	-	-	-	3,128	-	3,128	3,128	852
Depreciation and amortization	-	-	-	247,947	-	247,947	247,947	175,990
	<u>\$ 3,588,555</u>	<u>\$ 6,100,641</u>	<u>\$ 9,689,196</u>	<u>\$ 910,307</u>	<u>\$ 101,253</u>	<u>\$ 1,011,560</u>	<u>\$ 10,700,756</u>	<u>\$ 9,299,895</u>

See Notes to Financial Statements.

Opportunity Charter School

Statements of Cash Flows Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities:		
Change in net assets	\$ (682,026)	\$(146,981)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	247,947	175,990
Changes in operating assets and liabilities:		
Decrease (Increase) in accounts receivable	252,305	(80,875)
Increase in prepaid expenses and other	(44,043)	(18,705)
Increase in accounts payable and accrued expenses	393,337	14,427
Net cash provided by (used in) operating activities	167,520	(56,144)
Cash Used in Investing Activity - acquisition of property and equipment	(372,311)	(245,266)
Cash Used in Financing Activity - payment on capital lease obligations	(21,899)	(9,209)
Net decrease in cash and cash equivalents	(226,690)	(310,619)
Cash and Cash Equivalents:		
Beginning	812,976	1,123,595
Ending	\$ 586,286	\$ 812,976
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	\$ 3,128	\$ 852
Additions in property and equipment included in accounts payable	\$ -	\$ 26,115

See Notes to Financial Statements.

Opportunity Charter School

Notes to Financial Statements

Note 1. Principal Business Activity

Opportunity Charter School (the "Charter School") is an educational corporation that operates a charter school in the borough and county of Manhattan, New York. The Charter School was granted a charter valid for a term of five years from May 18, 2004 which is renewable by the Board of Regents of the University of the State of New York. In March 2010, the Charter School was awarded a short-term renewal, for a period of two years, with conditions, consistent with the terms of the renewal application. The Charter School was established to prepare underserved middle and high school students for higher education, civic involvement and lifelong success through a structured, caring environment of high academic expectations. The Charter School is unique in that each year it accepts an incoming grade of students, more than half of whom have been classified by their previous schools as requiring special education services. Fostering true democratic principles, the Charter School successfully educates all students together in a general education setting.

In fiscal year 2010, the Charter School operated classes for students in grades 6 through 12.

The New York City Department of Education provides free lunches and transportation directly to a majority of the Charter School's students. Such costs are not included in these financial statements. The Charter School covers the cost of lunches for children not entitled to free lunches.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation: 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. Accordingly, net assets are classified as unrestricted, temporarily restricted or permanently restricted based on the designation of donors.

The statement of activities includes certain prior-year summarized comparative information in total but not by functional and net asset classification. In addition, the statement of functional expenses includes certain prior-year summarized comparative information in total but not by its functional classification. Such statements do 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 2009 financial statements from which the summarized information was derived.

Accounting 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 amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: For the purposes of the statements of cash flows, cash and cash equivalents consist of money market accounts and any short-term investments with maturity of 30 days or less (at the time purchased).

The Charter School maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Charter School has not experienced any losses in such accounts.

The Charter School maintains a separate account, pursuant to its charter agreement, with a balance of \$70,327 and \$70,151 at June 30, 2010 and 2009, respectively, to pay off expenses in the event of dissolution of the Charter School.

Property and Equipment: Property and equipment is recorded at cost. Additions and improvements in excess of \$1,000 with an estimated useful life of more than one year are capitalized. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the respective assets.

Opportunity Charter School

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition: Contributions are recognized as revenue in the year the pledge is received and documented. Contributions and unconditional promises to give are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support, which increases that net asset class. When the specified purpose of donor-restricted contributions is met, the net asset is released from restrictions and transferred to unrestricted net assets. Contributions of assets other than cash are recorded at their estimated fair value. Revenue from the 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 funds obligated under a government grant agreement are recorded by the Charter School when the expenditures are incurred and billable to the government or when required services have been provided. All the Charter School's accounts receivable are expected to be collected within one year. The Charter School estimates an allowance for bad debts based on historical bad debt factors related to the donor's ability to pay and current economic trends. As of June 30, 2010 and 2009, there was no allowance.

Contributed services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. The fair value of donated services amounted to approximately \$5,200 and \$2,500 for the years ended June 30, 2010 and 2009, respectively.

Program Services: The Charter School's program services consist of both general education and special education costs. General education includes costs incurred directly in connection with the Charter School providing a rigorous extended-year college preparatory middle school and high school education. Special education include costs incurred for the Charter School to provide certain students with additional assistance.

Income Taxes: The Charter School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Charter School is subject to taxes on unrelated business income ("UBIT"), if applicable. For the tax years ended June 30, 2010 and 2009, the Charter School did not owe any UBIT.

Management evaluated the Charter School's tax positions and concluded that the Charter School had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Charter School is no longer subject to income tax examinations by U.S. federal tax authorities for years before 2007, which is the standard statute of limitations look-back period.

Fair Value Implementation: In 2009, the Charter School adopted new accounting standards that provided a framework for measuring fair value under generally accepted accounting principles, and applies to all financial instruments that are being measured and reported on a fair value basis.

This new accounting standard sets out a fair value hierarchy and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy is defined as follows:

- Level 1: Inputs that reflect unadjusted quoted market prices in active markets at the measurement date that the Charter School has the ability to access at the measurement date.
- Level 2: Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable.

Opportunity Charter School

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

For the years ended June 30, 2010 and 2009, the application of valuation techniques applied to similar assets and liabilities has been consistent. Financial instruments carried by the Charter School and measured at fair value at June 30, 2010 and 2009 consist of cash equivalents (money market) amounting to \$460,399 and \$614,781, respectively, and are classified as Level 1 in the fair value hierarchy.

Subsequent Events: The Charter School evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are issued, which was October 28, 2010 for these financial statements.

Note 3. Property and Equipment, Net

Property and equipment, net, at cost, consists of the following at June 30:

	<u>2010</u>	<u>2009</u>	<u>Estimated Useful Life</u>
Computer equipment	\$ 298,930	\$ 263,027	5 years
Classroom furniture	136,068	130,344	5 years
Musical instruments	20,776	20,776	5 years
Nonclassroom equipment	448,492	200,949	3 to 5 years
Nonclassroom furniture	51,130	51,130	5 years
Equipment obtained under capital lease	71,975	71,975	5 years
Building improvement	284,482	227,456	5 years
	<u>1,311,853</u>	965,657	
Less accumulated depreciation and amortization	<u>(697,661)</u>	<u>(449,714)</u>	
	<u>\$ 614,192</u>	<u>\$ 515,943</u>	

Note 4. Employee Benefit Plan

The Charter School is a participating employer in the Teachers' Retirement System of the City of New York ("TRS"). The amount charged to operations for benefit expense was \$1,115,996 and \$652,182 for the years ended June 30, 2010 and 2009, respectively.

Note 5. Facilities

As part of the New York City Chancellor's Charter School Initiative, the New York City Department of Education has committed space to charter schools within existing public schools. Beginning with fiscal year 2007, the Department of Education has facilitated Shared Use Agreements with charter schools outlining services and facility offerings to charter schools for a five-year period. The Charter School currently shares space at a public school building at no cost to the Charter School.

Note 6. Temporarily Restricted Net Assets

As of June 30, 2010 and 2009, there was no balance remaining in the temporarily restricted net assets.

During the fiscal years 2010 and 2009, the Charter School released \$256,050 and \$304,299, respectively, for the after-school program.

Opportunity Charter School

Notes to Financial Statements

Note 7. Contingencies

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.

Independent Auditor's 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
Opportunity Charter School
New York, New York

We have audited the financial statements of Opportunity Charter School (the "Charter School") as of and for the year ended June 30, 2010, and have issued our report thereon dated October 28, 2010. 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, but not to provide an opinion on the Charter School's 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 *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 over financial reporting 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. However, we identified a deficiency in internal control over financial reporting, described as item no. 2010-01 in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item No. 2010-01.

We noted certain matters that we reported to the management of the Charter School in a separate letter dated October 28, 2010.

The Charter School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Charter School's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the board of directors, management, the New York State Education Department, the Department of Education of the City of New York and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

McGladrey & Pullen, LLP

New York, New York
October 28, 2010

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Directors
Opportunity Charter School
New York, New York

Compliance - We have audited the compliance of Opportunity Charter School (the "Charter School") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2010. The Charter School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Charter School's management. Our responsibility is to express an opinion on the Charter School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Charter School's compliance with those requirements.

In our opinion, the Charter School complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance - The management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Charter School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

The Charter School's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the Charter School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management, the New York State Education Department, the Department of Education of the City of New York and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

McGladrey & Pullen, LLP

New York, New York
October 28, 2010

Opportunity Charter School

Supplementary Information

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

See Auditor's Report

<u>Federal Grantor/Pass-Through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures*</u>
U.S. Department of Education passed through the New York State Education Department:		
Title I, Part A Cluster:		
Grants to Local Educational Agencies (Title IA)	84.010	\$ 121,192
ARRA - Title I Grants to Local Educational Agencies (LEAs)	84.389	<u>47,672</u>
Title I, Part A Cluster total		<u>168,864</u>
Educational Technology Cluster:		
Enhancing Education Thru Technology (Title IID)	84.318	<u>1,177</u>
IDEA Cluster:		
Special Education Grants to States (IDEA)	84.027	239,584
ARRA - Special Education Grants to States (IDEA)	84.391	<u>141,148</u>
IDEA Cluster total		<u>380,732</u>
Improving Teacher Quality State Grants (Title IIA)	84.367	<u>15,426</u>
Total expenditures of federal awards		<u>\$ 566,199</u>

*Expenditures are recognized on the accrual basis of accounting.

Opportunity Charter School

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2010
See Auditor's Report**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

• Material weakness(es) identified? yes no

• Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major program:

• Material weakness(es) identified? yes no

• Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of Major Program(s):

CFDA Number(s)

84.027
84.391

Name of Federal Program or Cluster

IDEA Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

Opportunity Charter School

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2010
See Auditor's Report**

Section II - Findings Related to the Financial Statement Audit as Required to Be Reported in Accordance with Government Auditing Standards

A. Internal Control

2010-01. Metropolitan Commuter Transportation Mobility Tax Filings

Criteria: The Metropolitan Commuter Transportation Mobility Tax (the "MCTMT") should be filed and paid each calendar quarter as required by the New York State Department of Taxation and Finance, effective on March 1, 2009.

Condition: The Charter School was not filing and paying the MCTMT for each calendar quarter. This resulted in the Charter School paying the applicable penalties and interest of approximately \$15,000, which was recorded as an expense in these financial statements. The Charter School paid the tax and the applicable penalties and interest subsequent to year-end.

Context: The MCTMT is a new tax levied as a percentage of payroll beginning in 2009.

Effect: If left uncorrected, penalties and interest would have continued to increase. At June 30, 2010, the total liabilities would have been understated by \$37,000 and the total expense and the net assets would have been understated by the same amount.

Cause: The Charter School did not have procedures to respond to this new tax.

Recommendation: We recommend that the Charter School's management pay attention to tax filing requirements to avoid potential interest and penalties.

Corrective Action: Subsequent to year end, management filed and paid the MCTMT due and the applicable penalties and interest. Management also set up a system in collaboration with Kiwi Partners, the firm that provides them with financial reporting and bookkeeping services, the Charter School's bookkeeper and business manager, to ensure that all tax filing requirements are met in a timely fashion.

B. Compliance Findings

2010-01. See A. above.

Section III - Findings and Questioned Costs for Federal Awards

A. Internal Control

None reported

B. Compliance Findings

None reported