

THE WILLIAMSBURG CHARTER HIGH SCHOOL

(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

THE WILLIAMSBURG CHARTER HIGH SCHOOL
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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES
THE WILLIAMSBURG CHARTER HIGH SCHOOL

We have audited the accompanying statement of financial position of The Williamsburg Charter High School (a not-for-profit corporation) (the "School") as of June 30, 2009 and 2008, and the related statements of activities, 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. The prior-year summarized comparative information has been derived from the School's 2008 financial statements and, in our report dated September 29, 2008, we express 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 Williamsburg Charter High School as of June 30, 2009 and 2008, and the changes in its net assets and its 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 September 10, 2009, on our consideration of The Williamsburg Charter High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Our audit was conducted for the purpose of forming an opinion on the 2009 basic financial statements of the School taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2009 is presented for the purposes of additional analysis as required by the U.S. Office 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 financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.


FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
September 10, 2009

THE WILLIAMSBURG CHARTER HIGH SCHOOL
(A Not-for-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 115,317	\$ 184,075
Investment in marketable securities	385,509	751,765
Grants receivable	231,040	54,202
Due from affiliates	81,275	-
Prepaid expenses and other current assets	57,037	68,596
Total current assets	870,178	1,058,638
Property and equipment, net of accumulated depreciation of \$572,390 and \$396,965, respectively	1,359,996	394,395
Other assets:		
Security deposit	1,500,000	-
Loan costs, net of accumulated amortization	13,750	-
Total other assets	1,513,750	-
TOTAL ASSETS	\$ 3,743,924	\$ 1,453,033
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 441,314	\$ 395,394
Deferred revenue	-	82,946
Revolving line of credit	442,081	-
Current portion of notes payable	315,195	-
Total current liabilities	1,198,590	478,340
Notes payable - long-term	1,807,712	-
Total liabilities	3,006,302	478,340
Net assets:		
Unrestricted net assets	737,622	894,693
Temporarily restricted net assets	-	80,000
Total net assets	737,622	974,693
TOTAL LIABILITIES AND NET ASSETS	\$ 3,743,924	\$ 1,453,033

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

THE WILLIAMSBURG CHARTER HIGH SCHOOL
(A Not-for-Profit Corporation)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2009			2008
	Unrestricted	Temporarily Restricted	Total	
Revenue and support:				
State and local per pupil operating revenue	\$ 8,768,580	\$ -	\$ 8,768,580	\$ 6,816,686
Government grants	768,625	-	768,625	110,671
Contributions and grants	51,000	-	51,000	291,750
Donated facility	196,736	-	196,736	97,830
Investment (loss) income, net	(134,901)	-	(134,901)	26,999
Other income	97,229	-	97,229	44,114
Net assets released from restrictions - satisfaction of purpose restriction	80,000	(80,000)	-	-
Total revenue and support	<u>9,827,269</u>	<u>(80,000)</u>	<u>9,747,269</u>	<u>7,388,050</u>
Expenses:				
Program services	8,602,942	-	8,602,942	6,303,740
Management and general	1,102,012	-	1,102,012	730,335
Fundraising	279,386	-	279,386	183,486
Total expenses	<u>9,984,340</u>	<u>-</u>	<u>9,984,340</u>	<u>7,217,561</u>
Change in net assets	(157,071)	(80,000)	(237,071)	170,489
Net assets - beginning of year	<u>894,693</u>	<u>80,000</u>	<u>974,693</u>	<u>804,204</u>
Net assets - end of year	<u>\$ 737,622</u>	<u>\$ -</u>	<u>\$ 737,622</u>	<u>\$ 974,693</u>

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

THE WILLIAMSBURG CHARTER HIGH SCHOOL
(A Not-for-Profit Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (237,071)	\$ 170,489
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	176,425	147,835
Unrealized loss on marketable securities	22,550	1,633
Realized loss on marketable securities	137,247	-
Changes in operating assets and liabilities:		
(Increase) Decrease in grants receivable	(176,838)	55,634
(Increase) Decrease in prepaid expenses and other assets	(2,192)	30,030
(Increase) in due from affiliates	(81,275)	-
Increase in accounts payable and accrued expenses	45,920	191,792
(Decrease) in deferred revenue	(82,946)	(37,985)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(198,180)	559,428
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	693,556	-
Payment of security deposit	(1,500,000)	-
Purchase of property and equipment	(1,142,025)	(231,330)
Purchase of marketable securities	(487,097)	(753,398)
NET CASH (USED IN) INVESTING ACTIVITIES	(2,435,566)	(984,728)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	2,150,000	-
Proceeds from revolving line of credit	442,081	-
Payment of notes payable	(27,093)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,564,988	-
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(68,758)	(425,300)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	184,075	609,375
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 115,317	\$ 184,075
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 18,383	\$ -

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

THE WILLIAMSBURG CHARTER HIGH SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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

Nature of Organization

The Williamsburg Charter High School (the "School") is a New York State, not-for-profit educational corporation that operates as a charter school in the borough of Brooklyn, New York City. On February 23, 2004, the Board of Regents of the University of the State of New York for and on behalf of the State Education Department granted the School a provisional charter valid for a term of five years from the effective date of February 23, 2004 and renewable upon expiration. The School's mission is to equip students with the academic and character skills necessary to succeed in high school, college and the competitive world beyond.

In fiscal year 2009, the School operated classes for approximately 638 students in grades nine through twelve.

Food and Transportation

The New York City Department of Education provides free and reduced-price lunches and transportation directly to a majority of the School's students. Such costs are not included in these financial statements.

Tax Status

The School is exempt from federal income taxes 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

Financial statement presentation follows the requirements of Statement of Financial Accounting Standards ("SFAS") No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the School is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The net assets classifications are described as follows:

Unrestricted

Net assets of the School whose use has not been restricted by an outside donor or by law. They are available for any use in carrying out the operations of the School.

Temporarily Restricted

Net assets of the School whose use has been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the School. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities, as net assets released from restrictions.

THE WILLIAMSBURG CHARTER HIGH SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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

Basis of Presentation (Continued)

Permanently Restricted

Net assets of the School whose use has been permanently limited by donor-imposed restrictions. Such assets include contributions required to be invested in perpetuity, the income from which is available to support charitable purposes designated by the donors.

The School has no permanently restricted net assets at June 30, 2009 and 2008.

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.

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 agencies.

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.

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.

THE WILLIAMSBURG CHARTER HIGH SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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

Investments

Investments are carried at fair market value. The fair market values of the investments are based on the last reported sales price, on the national securities market on which the investment is traded, on the last business day of the year. Purchases and sales of securities are reflected on a trade date basis. Unrealized gains or losses are included in the change in net assets in the accompanying statement of activities (see Note 4).

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment acquired with certain government funding are recorded as expenses pursuant to the terms of the contract, in which ownership of such property and equipment is retained by the funding source. Maintenance and repairs are expensed as incurred. No depreciation is recorded on construction-in-progress until property and equipment is placed into service. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

Equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	useful life or related lease

Deferred Revenue

The School records certain government grants as deferred revenue until related services are performed, at which time it is recognized as revenue.

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, "Accounts for Contributions Received and Contributions Made," if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. A number of volunteers have contributed time to the School to develop academic and other programs and to serve on the board of trustees. The value of this donated time is not reflected in the financial statements.

Reclassifications

Certain 2008 accounts have been reclassified to conform to the 2009 financial statement presentation. The reclassifications have no effect on 2008 total assets, liabilities, net assets and changes in net assets.

Comparative Financial Information

The accompanying statements of activities and functional expenses are presented with summarized comparative information. Such prior year information is not presented by net asset class in the statement of activities or by functional category in the statement of functional expenses. Accordingly, such information should be read in conjunction with the School's 2008 financial statements from which the summarized information was derived.

THE WILLIAMSBURG CHARTER HIGH SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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

Loan Costs

Loan costs of \$20,000 were incurred during fiscal 2009 to obtain a promissory note payable. These costs are amortized using the straight-line method over the life of the promissory note payable. Amortization expense for the year ended June 30, 2009 was \$1,250. At June 30, 2009, loan costs net of accumulated amortization amounted to \$18,750 of which \$5,000 represents the current portion, included in other current assets. In addition, \$5,000 representing cost associated with obtaining a revolving line of credit was expensed during the year ended June 30, 2009.

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (the "FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*- an interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. If there are changes in net assets as a result of application of FIN 48, these will be accounted for as an adjustment to the opening balance of net assets. Additional disclosures about the amounts of such liabilities will also be required. In 2008, the FASB delayed the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The School will be required to adapt FIN 48 in its June 30, 2010 financial statements. The adoption of FIN 48 is not expected to have a material impact on the School's financial position, results of operations or cash flows.

NOTE 2 - GRANTS RECEIVABLE

Grants receivable consists of federal and city entitlements. The School expects to collect these receivables within one year.

NOTE 3 - RELATED PARTY TRANSACTIONS

The School is an affiliate of Believe High School Network (the "Network"), a New York State, not-for-profit corporation. The Network supports the School by providing management and other supporting services. There was no transactions with the Network for the years ended June 30, 2009 and 2008.

For operational efficiency and purchasing power, the School shares certain expenses with two charter schools related by common management. For the year ended June 30, 2009, the School paid for start-up operating expenses on behalf of the two schools in the amount of \$81,275.

THE WILLIAMSBURG CHARTER HIGH SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 4 - INVESTMENT IN MARKETABLE SECURITIES

FASB Statement No. 157, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2009 and 2008.

Equity securities: Valued at the closing price reported on the securities market on which the investment is traded.

Mutual funds: Valued at the closing price reported on the securities market on which the investment is traded.

THE WILLIAMSBURG CHARTER HIGH SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 4 - INVESTMENT IN MARKETABLE SECURITIES (Continued)

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the School's assets at fair value at June 30, 2009 and 2008.

Investments held by the School at June 30, 2009 and 2008 are summarized as follows:

Description	2009		2008	
	Market	Cost	Market	Cost
<u>Level 1</u>				
Equity securities	\$ 111,800	\$ 148,525	\$ 36,207	\$ 32,766
Mutual funds	<u>273,709</u>	<u>261,167</u>	<u>715,558</u>	<u>720,631</u>
	<u>\$ 385,509</u>	<u>\$ 409,962</u>	<u>\$ 751,765</u>	<u>\$ 753,397</u>

Net investment income (loss) consists of the following for the year ended June 30,:

	2009	2008
Interest and dividends	\$ 24,897	\$ 28,631
Realized loss	(137,247)	-
Net unrealized losses	<u>(22,551)</u>	<u>(1,632)</u>
	<u>\$ (134,901)</u>	<u>\$ 26,999</u>

NOTE 5 - PROPERTY AND EQUIPMENT

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

	2009	2008
Furniture and fixtures	\$ 308,641	\$ 266,164
Equipment	608,031	523,196
Construction-in-progress	<u>1,015,713</u>	<u>-</u>
	1,932,385	790,360
Less: accumulated depreciation	<u>572,390</u>	<u>395,965</u>
	<u>\$1,359,996</u>	<u>\$ 394,395</u>

THE WILLIAMSBURG CHARTER HIGH SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 5 - PROPERTY AND EQUIPMENT (Continued)

The organization has contracted with several contractors for planning, design, and construction of a new building facility for the School. At June 30, 2009, construction-in-progress is comprised of architect fees and other preconstruction costs for the planning and development of the new building facility.

Depreciation expense was \$176,425 and \$147,835 for the years ended June 30, 2009 and 2008, respectively.

NOTE 6 - AGREEMENT FOR SCHOOL FACILITY

The 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 a New York City Public School located at 424 Leonard Street, Brooklyn, New York. The Agreement commenced on June 15, 2005, and will terminate on June 15, 2010, or upon the termination of the School's charter, whichever is earlier. Pursuant to the terms of the Agreement, the School shall pay \$1 per annum for use of the shared facility during the regular opening hours. The School shall be responsible for any overtime related costs for services provided beyond the regular opening hours (see Note 9). The School is in the process of developing its permanent facility located at 198-202 Varet Street, Brooklyn, New York (see Note 15).

NOTE 7 - 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.

NOTE 8 - 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 9 - DONATED FACILITY

The School received extended use of school facilities from the New York City Department of Education for programs and activities at a fair market value of \$196,736 and \$97,830 for the years ended June 30, 2009 and 2008, respectively.

THE WILLIAMSBURG CHARTER HIGH SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 10 - 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 11 - PENSION PLANS

The School maintains a defined contribution 403(b) plan on behalf of its employees. The School provided matching contributions of 4% to the plan during 2009 and 2008. The amount charged to operations for contributions to this plan was \$243,578 and \$191,700 for the years ended June 30, 2009 and 2008, respectively.

The School also maintains a nonqualified deferred compensation plan for two management employees, and made contributions of \$36,599 and \$23,000 for the years ended June 30, 2009 and 2008, respectively.

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Net assets for the year ended June 30, 2009, were released from donor restrictions by satisfying the purpose specified by donor as follows:

Nine central program and college and career option program	\$ 80,000
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NOTE 13 - LONG-TERM DEBT

Notes payable consisted of the following at June 30, 2009:

a) Nonprofit Finance Fund	\$ 1,972,907
b) Fund for the City of New York	<u>150,000</u>
	2,122,907
Less: current portion	<u>315,195</u>
Total long-term notes payable	<u>\$ 1,807,712</u>

Following are maturities of notes payable:

June 30, 2010	\$ 315,195
2011	172,354
2012	179,823
2013	<u>1,455,535</u>
	<u>\$ 2,122,907</u>

THE WILLIAMSBURG CHARTER HIGH SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 13 - LONG-TERM DEBT (Continued)

- a) On April 2, 2009, the School entered into a \$2,000,000 promissory note payable with the Nonprofit Finance Fund. The note matures April 1, 2013, and is payable in monthly installments of \$20,487.51 including interest at prime rate plus 1.00% with a lump sum payment of \$1,320,231 due April 1, 2013. The proceeds were used to finance the security deposit and a portion of the architectural costs associated with the leasehold improvements to the new building facility for the School located at 198 Varet Street Brooklyn, New York. The loan is secured by substantially all School's assets.

- b) On June 7, 2009, The School borrowed \$150,000 from Fund for the City of New York to support education programs. The loan is non-interest bearing and was due July 31, 2009 and is collateralized by the New York City Department of Education receivables. The loan was repaid in full prior to July 31, 2009.

NOTE 14 - REVOLVING LINE OF CREDIT

On April 2 2009, the School entered into a \$500,000 revolving line of credit with the Nonprofit Finance Fund. The line of credit is payable on April 1, 2010, with interest at prime rate plus 1.00%. The interest rate at June 30, 2009 was 4.25%. The line of credit is secured by substantially all the School's assets. At June 30, 2009, borrowings due under this line of credit was \$442,081.

NOTE 15 - COMMITMENTS

In March 2009, the School entered into a lease agreement with the landlord to lease new facilities for the School located at 198-202 Varet Street, Brooklyn, New York. Under the terms of the lease, the School will start paying rent when construction has been substantially completed on the new building. As of the date of issuance of this report the School has not occupied the space. The School will sublease new building space to its management organization – Believe High School Network. The agreement will enable the School to expand from its current capabilities of educating approximately 638 students to being able to service approximately 1,000 students in the 2009/2010 school year. The term of the lease is for 30 years and the rent approximates \$79,000,000 over the life of the lease.

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INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

TO THE BOARD OF TRUSTEES
THE WILLIAMSBURG CHARTER HIGH SCHOOL

Our report on our audits of the basic financial statements of The Williamsburg Charter High School (a not-for-profit corporation) as of June 30, 2009 and 2008, 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 10, 2009

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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
THE WILLIAMSBURG CHARTER HIGH SCHOOL

We have audited the financial statements of The Williamsburg Charter High School (“the School”) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 10, 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 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 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 School’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 School’s financial statements that is more than inconsequential will not be prevented or detected by the School’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 School’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 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.

TO THE BOARD OF TRUSTEES
THE WILLIAMSBURG CHARTER HIGH 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 other matters that were reported to the management of the School in a separate letter dated September 10, 2009.

This report is intended solely for the information and use of management, the audit committee, Board of Trustees, 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.


FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
September 10, 2009

TEL: (212) 957-3600
FAX: (212) 957-3696

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO THE BOARD OF TRUSTEE
THE WILLIAMSBURG CHARTER HIGH SCHOOL

Compliance

We have audited the compliance of The Williamsburg Charter High School (the "School") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the 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 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 of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the 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, 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 School's internal control over compliance.

TO THE BOARD OF TRUSTEE
THE WILLIAMSBURG CHARTER HIGH SCHOOL

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 of the deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

This report is intended solely for the information and use of management, the audit committee, board of trustees, 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.

FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
September 10, 2009

THE WILLIAMSBURG CHARTER HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONABLE COSTS
FOR THE YEAR ENDED JUNE 30, 2009

A - SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of The Williamsburg Charter High School.
2. No significant deficiencies and no material weaknesses were discovered during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of The Williamsburg Charter High School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported in accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for The Williamsburg Charter High School expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for The Williamsburg Charter High School are reported in this schedule.
7. The programs tested as major programs included:
 Title I, CFDA No. 84.010
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Williamsburg Charter High School did not qualify as a low-risk auditee.

B - FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

THE WILLIAMSBURG CHARTER HIGH SCHOOL
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor Pass-through Grantor Program Name	Federal CFDA Number	Federal Expenditures
U.S. Department of Education: Passed through the New York State Education Department.		
Public Charter Schools Program	84.282	\$ 194,000
Special Education - IDEA	84.027	57,497
Title I	84.010	414,902
Title II A	84.367	52,591
Title VA	84.298	2,156
Total Expenditures		<u>\$ 721,146</u>

See accompanying notes to schedule of expenditures of federal awards.

THE WILLIAMSBURG CHARTER HIGH SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Williamsburg Charter High School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements on OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.