

Bronx Global Learning Institute for Girls

**Financial Statements
and
Independent Auditors' Report**

June 30, 2009

Bronx Global Learning Institute for Girls

Financial Statements

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Independent Auditors' Report

To the Board of Trustees of
Bronx Global Learning Institute for Girls
New York, New York

We have audited the accompanying statement of financial position of Bronx Global Learning Institute for Girls as of June 30, 2009, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Project's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted of The United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bronx Global Learning Institute for Girls as of June 30, 2009, and the changes in 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 2, 2009, on our consideration of Bronx Global Learning Institute for Girls internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 basic financial statements taken as a whole. The schedule of functional expenses on page 9 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 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 City, New York
October 2, 2009

Bronx Global Learning Institute for Girls
Statement of Financial Position
June 30, 2009

ASSETS

Current Assets	
Cash - Operating	\$ 62,349
Due from Government Agencies (Note 3)	214,484
Prepaid Expenses	<u>4,002</u>
Total Current Assets	<u>280,835</u>
Fixed Assets	
Equipment, Furniture and Fixtures	21,805
Less: Accumulated Depreciation	<u>(4,704)</u>
Total Fixed Assets	<u>17,101</u>
Total Assets	<u><u>\$ 297,936</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable and Accrued Expenses	\$ 19,698
Accrued Payroll and Related Expenses	<u>95,907</u>
Total Current Liabilities / Total Liabilities	<u>115,605</u>

Net Assets

Unrestricted Net Assets	<u>182,331</u>
Total Net Assets	<u>182,331</u>
Total Liabilities and Net Assets	<u><u>\$ 297,936</u></u>

See accompanying notes and independent auditors' report.

Bronx Global Learning Institute for Girls
Statement of Activities
For the year ended June 30, 2009

<u>PUBLIC SUPPORT AND REVENUE</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Resident Student Enrollment	\$ -	\$ 1,262,031	\$ 1,262,031
Food Service	-	42,145	42,145
Federal Funding	-	67,259	67,259
State and City Funding	-	319,682	319,682
In-kind Contributions (Note 6)	167,456	-	167,456
Corporate Contributions	6,000	-	6,000
Interest Income	447	-	447
	<hr/>	<hr/>	<hr/>
	173,903	1,691,117	1,865,020
Net Assets Released From Restrictions	1,691,117	(1,691,117)	-
	<hr/>	<hr/>	<hr/>
Total Public Support and Revenue	1,865,020	-	1,865,020
	<hr/>	<hr/>	<hr/>
<u>EXPENSES</u>			
<u>Program Services</u>			
Regular Education	1,371,904	-	1,371,904
Special Education	100,705	-	100,705
	<hr/>	<hr/>	<hr/>
	1,472,609	-	1,472,609
<u>Supporting Services</u>			
Management and General	210,080	-	210,080
	<hr/>	<hr/>	<hr/>
Total Expenses	1,682,689	-	1,682,689
	<hr/>	<hr/>	<hr/>
Change in Net Assets	182,331	-	182,331
Net Assets, Beginning of Year	-	-	-
	<hr/>	<hr/>	<hr/>
Net Assets, End of Year	<u>\$ 182,331</u>	<u>\$ -</u>	<u>\$ 182,331</u>

Bronx Global Learning Institute for Girls
Statement of Cash Flows
For the year ended June 30, 2009

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Change in Net Assets	<u>\$ 182,331</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	4,705
Changes in Assets and Liabilities (Increase) / Decrease in:	
Due from Government Agencies	(214,484)
Prepaid Expenses	(4,003)
Increase / (Decrease) in:	
Accounts Payable and Accrued Expenses	19,698
Accrued Payroll and Related Expenses	<u>95,907</u>
Total Adjustments	<u>(98,177)</u>
Net Cash Provided by Operating Activities	<u>84,154</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchases of Equipment, Furniture and Fixtures	<u>(21,805)</u>
Net Cash Used In Investing Activities	<u>(21,805)</u>
NET INCREASE IN CASH	62,349
CASH - BEGINNING OF YEAR	<u>-</u>
CASH - END OF YEAR	<u><u>\$ 62,349</u></u>

Bronx Global Learning Institute for Girls
Notes to the Financial Statements
June 30, 2009

NOTE 1 - ORGANIZATION

Bronx Global Learning Institute for Girls (the "School") is a charter school for children located in Bronx, New York. In the first year of operation (2008-2009), the school operated grades kindergarten through first. The school plans to add one grade per year until a grade fifth is reached. It educates children in a completely nondiscriminatory and secular basis. The founders and supporters of the School believe that access to a public education of high quality for all children is the foremost issue. The School was chartered in February 2008.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements were prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS 117, it is required to report information regarding financial position and activities according to the following three classes of net assets: Unrestricted net assets have no donor restrictions and have met all legal and donor requirements; Temporarily restricted net assets are temporarily restricted by donor stipulations and requirements; and Permanently restricted net assets are permanently restricted by donor stipulations and requirements.

Use of Estimates in the Preparation of Financial Statements

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

The School records contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and /or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulation 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. All contributions received in the year ended 2009 were unrestricted.

Recognition of Revenue

Government contract revenue is recognized as earned in the period services are provided and costs are incurred.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the School considers all highly liquid investments available for current use with an initial period of three months or less to be cash equivalents.

Income Tax Status

The School is a not-for-profit corporation organized under the laws of the State of New York. It is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code.

Bronx Global Learning Institute for Girls
Notes to the Financial Statements
June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

Expenses relating to more than one function are allocated to program service and management and general based on employee time estimates or other appropriate usage factors.

Leasehold Improvements Furniture and Fixtures, and Equipment

Leasehold improvements, furniture and equipment are valued at cost less accumulated depreciation. Depreciation is computed on a straight line basis over the estimated useful lives of the related assets or the term of the lease agreement. Normal replacement and maintenance costs are charged to earnings as incurred, and major renewals and improvements are capitalized. Upon disposition, the cost and related accumulated depreciation is removed from the accounts and the resulting gain or loss for the period. The School capitalizes assets with cost of \$500 and over. Depreciation is calculated based on the useful lives of the assets as follows:

Leasehold Improvements	20 Years
Equipment and Furniture	3 - 10 Years

Contributed Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since recognition criteria under SFAS No. 116 were not met.

NOTE 3 - PUPIL ENROLLMENT AND OTHER REVENUES FROM GOVERNMENT

Under the School's Charter School Agreement and the Charter School Act, the School is entitled to receive funding from both State and Federal sources that are available to public schools. These funds include State pupil enrollment funds, Federal food subsidies and Title I, IIA, IID, IV and V funds. The calculation of the amounts to be paid to the School under these programs is determined by the State, and is based on complex laws and regulations, enrollment levels, and economic information related to the home school district of the children enrolled in the school. If these regulations, some of which are relatively new in the State of New York, were to change, or other factors included in the calculations were to change, the level of funding that the School receives could vary significantly.

Amount due from government agencies as of June 30, 2009 are \$214,484.

NOTE 4 - DEFINED CONTRIBUTION PLAN

The School offers a 401(k) plan (the "Plan") for substantially all of its employees. Employees are eligible for the plan immediately upon employment and participation in the Plan is voluntary. Employees may contribute up to 15% of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The School matches the employee contribution 100% up to 4% of the employee's annual compensation. The School's contribution recognized in the statement of activities was \$5,381 for 2009. The Plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

Bronx Global Learning Institute for Girls
Notes to the Financial Statements
June 30, 2009

NOTE 5 – DUE TO VICTORY SCHOOLS, INC.

Management Fee Payable

Victory Schools, Inc. (VSI) manages the operations of the School under a management agreement entered into by the School and Victory. The agreement was executed in July 2008. Per the term of the agreement, Victory assumes responsibility for task and functions associated with the educational services to be provided to the children enrolled as student at the School in accordance with the term of the Charter and the Charter of Schools Act, subject to the appropriate oversight from the school's Board of trustees.

In providing the above services, Victory is paid a management fee in the amount equal to product of the total full-time equivalent enrollment of students in the Charter School as defined under Section 119.1 of New York State Commissioner of Education Regulations multiplied by two thousand dollars (\$2,000) (The "Per Pupil Fee"). The Per Pupil Fee shall be increased or decreased each year by the percentage increase or decrease in the Final Adjusted Expense Per Pupil for charter schools in the New York City school district as calculated by the New York State Education Department annually.

NOTE 6 – IN-KIND CONTRIBUTIONS

The School received in-kind contribution of facilities and services from various sources. In-kind contributions in the statement of activities and the schedule of functional expenses consisted of the following for the year ended June 30, 2009:

Rent	\$ 116,446
Maintenance/Security	34,151
Utilities	<u>16,859</u>
	<u>\$ 167,456</u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Audits by Funding Sources

The School participates in a number of Federal and State programs. These programs require that the School complies with certain requirement of laws, regulations, contracts, and agreements applicable to the program in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or result of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

NOTE 8 – CONCENTRATION OF RISK

The School is dependent on various government agencies for funding, and is responsible for meeting the requirements of such agencies. If the school was to lose students or the related government funding, it could have a substantial effect on its ability to continue operations.

Supplemental Information

Bronx Global Learning Institute for Girls
Schedule of Functional Expenses
For the year ended June 30, 2009

	Regular Education	Special Education	Total Programs	Support Services	Total
<u>Personnel Expenses</u>					
Salaries	\$ 648,895	\$ 50,600	\$ 699,495	\$ -	\$ 699,495
Fringe Benefits	86,515	6,746	93,261	-	93,261
Payroll Taxes and Related Expenses	59,934	4,674	64,608	-	64,608
Total Personnel and Related Expenses	<u>795,345</u>	<u>62,020</u>	<u>857,365</u>	<u>-</u>	<u>857,365</u>
<u>Operating Expenses</u>					
Contracted Services - Management Co.	-	-	-	202,850	202,850
Consultants - Education	30,697	-	30,697	-	30,697
Food	49,767	-	49,767	-	49,767
Insurance	20,973	1,635	22,608	-	22,608
Supplies and Materials	71,221	5,554	76,775	-	76,775
Textbooks	88,160	6,875	95,035	-	95,035
Telephone	3,425	267	3,692	-	3,692
In-kind Services (Note 6)	155,343	12,113	167,456	-	167,456
Printing	1,601	125	1,726	-	1,726
Professional Development	16,272	1,269	17,541	-	17,541
Advertising	15,223	1,187	16,410	-	16,410
Auditing Fees	-	-	-	7,230	7,230
Maintenance and Repairs	14,462	1,128	15,590	-	15,590
Transportation	45,698	3,564	49,262	-	49,262
Depreciation	4,365	340	4,705	-	4,705
Other Expenses	59,353	4,628	63,981	-	63,981
Total Operating Expenses	<u>576,559</u>	<u>38,685</u>	<u>615,244</u>	<u>210,080</u>	<u>825,324</u>
TOTAL EXPENSES	<u><u>\$ 1,371,904</u></u>	<u><u>\$ 100,705</u></u>	<u><u>\$ 1,472,609</u></u>	<u><u>\$ 210,080</u></u>	<u><u>\$ 1,682,689</u></u>

**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 of
Bronx Global Learning Institute for Girls
New York, New York

We have audited the financial statements of Bronx Global Learning Institute for Girls as of and for the year ended June 30, 2009, and have issued our report thereon dated October 2, 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 Bronx Global Learning Institute for Girls 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 Bronx Global Learning Institute for Girls internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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 and Other Matters

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

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

Vargas, Ghigliotto & Rivera, LLP

New City, New York
October 2, 2009