

WILLIAMSBURG COLLEGIATE CHARTER SCHOOL

BROOKLYN, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2009

(With Comparative Totals for 2008)

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MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Williamsburg Collegiate Charter School

We have audited the accompanying statement of financial position of Williamsburg Collegiate Charter School as of June 30, 2009, and the related statements of activities and changes in net assets, 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 financial statements of Williamsburg Collegiate Charter School as of and for the year ended June 30, 2008 and, in our report dated October 22, 2008, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Williamsburg Collegiate Charter School as of June 30, 2009, 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 16, 2009 on our consideration of Williamsburg Collegiate Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 16, 2009

WILLIAMSBURG COLLEGIATE CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009

(With Comparative Totals for 2008)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 768,236	\$ 415,217
Certificates of deposit	821,077	799,922
Grants and other receivables	271,959	170,853
Prepaid expenses and other current assets	<u>1,467</u>	<u>1,935</u>
TOTAL CURRENT ASSETS	1,862,739	1,387,927
 <u>PROPERTY AND EQUIPMENT, net</u>	 <u>496,399</u>	 <u>444,614</u>
TOTAL ASSETS	<u>\$ 2,359,138</u>	<u>\$ 1,832,541</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 326,097	\$ 143,084
 <u>NET ASSETS, unrestricted</u>		
Designated for building fund	905,000	775,000
Undesignated	<u>1,128,041</u>	<u>914,457</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,359,138</u>	<u>\$ 1,832,541</u>

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

WILLIAMSBURG COLLEGIATE CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2009
(With Comparative Totals for 2008)

	<u>Year ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Operating revenue and support:		
State and local per pupil operating revenue	\$ 3,269,151	\$ 2,270,885
Government grants	227,360	493,298
Contributions	311,771	297,013
Other income	<u>35,172</u>	<u>39,021</u>
TOTAL OPERATING REVENUE AND SUPPORT	3,843,454	3,100,217
Expenses:		
Program services - education	3,180,145	2,075,544
General and administrative	<u>319,725</u>	<u>265,065</u>
TOTAL EXPENSES	<u>3,499,870</u>	<u>2,340,609</u>
CHANGE IN NET ASSETS	343,584	759,608
Unrestricted net assets at beginning of year	<u>1,689,457</u>	<u>929,849</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 2,033,041</u>	<u>\$ 1,689,457</u>

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

WILLIAMSBURG COLLEGIATE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2009
(With Comparative Totals for 2008)

	Program services - education	General and administrative	Total	
			Year ended June 30,	
			2009	2008
Salaries	\$ 1,841,783	\$ 141,923	\$ 1,983,706	\$ 1,242,613
Payroll taxes and employee benefits	319,994	24,658	344,652	194,983
Occupancy	19,688	-	19,688	41,272
Repairs and maintenance	4,955	895	5,850	9,302
Textbooks	13,271	-	13,271	11,203
Instructional supplies and assessments	96,736	-	96,736	106,199
Computer and technology supplies	32,615	-	32,615	31,030
Student enrichment and services	345,012	-	345,012	212,326
Professional development	112,450	-	112,450	70,740
Professional services	-	9,720	9,720	9,610
Telephone	-	11,886	11,886	11,696
Insurance	-	23,729	23,729	17,817
Management fees	282,840	49,913	332,753	242,191
Office expense	6,989	49,790	56,779	61,212
Depreciation	103,812	3,780	107,592	71,140
Other	-	3,431	3,431	7,275
	<u>\$ 3,180,145</u>	<u>\$ 319,725</u>	<u>\$ 3,499,870</u>	<u>\$ 2,340,609</u>

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

WILLIAMSBURG COLLEGIATE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2009
(With Comparative Totals for 2008)

	<u>Year ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 343,584	\$ 759,608
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	107,592	71,140
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(101,106)	(134,905)
Prepaid expenses and other current assets	468	9,935
Accounts payable and accrued expenses	<u>183,013</u>	<u>24,867</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	533,551	730,645
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(159,377)	(316,815)
Purchases of certificates of deposit	<u>(21,155)</u>	<u>(799,922)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(180,532)</u>	<u>(1,116,737)</u>
NET INCREASE (DECREASE) IN CASH	353,019	(386,092)
Cash at beginning of year	<u>415,217</u>	<u>801,309</u>
CASH AT END OF YEAR	<u>\$ 768,236</u>	<u>\$ 415,217</u>

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

WILLIAMSBURG COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Williamsburg Collegiate Charter School (the Charter School), is an educational corporation that commenced operating as a charter school in the borough of Brooklyn, New York City in July 2005. On April 15, 2005, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration.

The Charter School's mission is to prepare each student to enter, succeed in and graduate from outstanding college preparatory high schools and colleges.

Financial Statement 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. The Charter School reports 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.

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2009 or 2008.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. The Charter School had no temporarily restricted net assets at June 30, 2009 or 2008.

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School's operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Charter School when qualifying expenditures are incurred and billable.

Contributions

Contributions received are recorded as unrestricted, temporarily, or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

WILLIAMSBURG COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2009 AND 2008

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash

The Charter School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Effective October 3, 2008 through December 31, 2009, accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition, as of October 14, 2008, unlimited deposit insurance coverage is available through December 31, 2009, for certain non-interest bearing transaction accounts at institutions participating in FDIC's Temporary Liquidity Guarantee Program. Uninsured balances at June 30, 2009 approximated \$440,000. The Charter School has not experienced any losses in such accounts.

Certificates of deposit

Certificates of deposit represent certificates of deposit with maturities of nine months or less. Uninsured balances at June 30, 2009 approximated \$821,000. The Charter School has not experienced any losses in such accounts.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2009 or 2008.

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to ten years.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the board of trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed.

WILLIAMSBURG COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2009 AND 2008

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

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 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. Actual results could differ from those estimates.

Reclassifications

Certain 2008 amounts have been reclassified to conform with the 2009 presentation.

Comparatives for year ended June 30, 2008

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the balance sheet date through October 16, 2009, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: RELATED PARTY TRANSACTIONS

Uncommon Schools, Inc. ("USI"), a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Charter School. The Charter School entered into a five year agreement with USI dated July 1, 2005, under which the Charter School pays USI a service fee of a set percentage of the average number of students enrolled at the Charter School during the school year multiplied by the approved per pupil operating expense for the school year, and a percentage of all other public entitlement funding receivable during the school year, excluding in-kind contributions and funds from competitive public grants. This percentage is fixed at 10% for years 1-3, decreasing to 9.5% in year 4 and 9% in year 5. The fee incurred for the years ended June 30, 2009 and 2008 was \$332,753 and \$242,191, respectively. At June 30, 2009 and 2008 approximately \$62,000 and \$27,000, respectively, are included in accounts receivable relating to USI. At June 30, 2009 and 2008, approximately \$184,500 and \$19,000, respectively, are included in accounts payable relating to USI.

The Charter School is related to both Kings Collegiate Charter School and Bedford Stuyvesant Collegiate Charter School through common Board representation. As none of the schools have an economic interest in the net assets of any other school, the facts do not require consolidation of either of these schools with the Charter School in accordance with SOP 94-3 "Reporting of Related Entities by Not-For-Profit Organizations".

WILLIAMSBURG COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2009 AND 2008

NOTE C: SCHOOL FACILITY

As part of the New York City Chancellor's Charter School Initiative, the New York City Department of Education has committed space to the Charter School at no charge. The facilities and services provided by the New York City Department of Education to the Charter School are outlined in a Shared Facility Use Agreement. At June 30, 2009 and 2008, the board of trustees has designated \$905,000 and \$775,000, respectively, as building fund to be available to meet future needs of the Charter School. During the fiscal years ended June 30, 2009 and 2008, the Charter School paid a fee to the New York City Department of Education for additional after-school and weekend usage amounting to approximately \$19,700 and \$41,000, respectively.

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$ 187,600	\$ 138,709
Computer software	255,146	154,777
Leasehold improvements	<u>287,908</u>	<u>277,791</u>
	730,654	571,277
Less accumulated depreciation and amortization	<u>234,255</u>	<u>126,663</u>
	<u>\$ 496,399</u>	<u>\$ 444,614</u>

NOTE E: OPERATING LEASE

The Charter School leases office equipment under a non-cancelable lease agreement expiring in August 2011. The future minimum payments on this agreement are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2010	\$ 9,121
2011	9,121
2012	<u>3,040</u>
	<u>\$ 21,282</u>

WILLIAMSBURG COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2009 AND 2008

NOTE F: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. The Charter School matches employees' contributions up to 3% of gross payroll. The Charter School's total contribution to the Plan for the years ended June 30, 2009 and 2008 approximated \$38,700 and \$8,800, respectively.

NOTE G: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such 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 H: CONCENTRATION

At June 30, 2009 and 2008, 53% and 81% of accounts receivable are due from New York State, respectively.

During the years ended June 30, 2009 and 2008, 85% and 73%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School is located.

WILLIAMSBURG COLLEGIATE CHARTER SCHOOL

OTHER FINANCIAL INFORMATION



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Williamsburg Collegiate Charter School

Our report on our audit of the basic financial statements of Williamsburg Collegiate Charter School as of June 30, 2009 and for the year then ended appears on page 3. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial information hereinafter 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.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 16, 2009

WILLIAMSBURG COLLEGIATE CHARTER SCHOOL

SCHEDULE OF MIDDLE SCHOOL AND HIGH SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2009

	<u>Middle School</u>	<u>High School</u>	<u>Total</u>
State and local per pupil operating revenue	\$ 3,269,151	\$ -	\$ 3,269,151
Government grants	227,360	-	227,360
Contributions	151,771	160,000	311,771
Other income	<u>35,172</u>	<u>-</u>	<u>35,172</u>
TOTAL OPERATING REVENUE AND SUPPORT	3,683,454	160,000	3,843,454
Salaries	1,885,593	98,113	1,983,706
Payroll taxes and employee benefits	344,652	-	344,652
Occupancy	19,688	-	19,688
Repairs and maintenance	5,850	-	5,850
Textbooks	13,271	-	13,271
Instructional supplies and assessments	96,513	223	96,736
Computer and technology supplies	32,387	228	32,615
Student enrichment and services	345,012	-	345,012
Professional development	82,329	30,121	112,450
Professional services	9,720	-	9,720
Telephone	11,886	-	11,886
Insurance	23,729	-	23,729
Management fees	332,753	-	332,753
Office expense	55,041	1,738	56,779
Depreciation	107,592	-	107,592
Other	<u>3,431</u>	<u>-</u>	<u>3,431</u>
TOTAL EXPENSES	<u>3,369,447</u>	<u>130,423</u>	<u>3,499,870</u>
CHANGE IN NET ASSETS	<u>\$ 314,007</u>	<u>\$ 29,577</u>	<u>\$ 343,584</u>

WILLIAMSBURG COLLEGIATE CHARTER SCHOOL

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' 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

Board of Trustees
Williamsburg Collegiate Charter School

We have audited the financial statements of Williamsburg Collegiate Charter School as of and for the year ended June 30, 2009 and have issued our report thereon dated October 16, 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 Williamsburg Collegiate Charter 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 Williamsburg Collegiate 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 Charter School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the Charter School's financial statements that is more than inconsequential will not be prevented or detected by the Charter School's internal control. We consider the deficiency described in the accompanying schedule of findings and responses, item 2009-1, to be a significant deficiency in internal control over financial reporting.

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 Charter 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.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Williamsburg Collegiate Charter School in a separate letter dated October 16, 2009.

The Charter School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. 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 Trustees, management, federal, state and local awarding agencies, the Department of Education of the City of New York, the State Education Department of the State University of New York, and others within the Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 16, 2009

WILLIAMSBURG COLLEGIATE CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2009

Finding 2009-1

Statement of condition

We noted during our audit a significant misstatement of receivables and revenue related to the No Child Left Behind (NCLB) funding.

Criteria and effect of conditions

This misstatement occurred as a result of the Charter School's error in overallocating expenses to this grant, which then led to the associated grant revenue being recorded at an equally misstated amount. Grant revenue should not be recorded in excess of the award amount. Revenue and assets were misstated and required adjustment. This is considered to be a significant deficiency.

Recommendation

We recommend expenses allocated to grants be reviewed for accuracy and agreed to supporting documentation sent to the grantor at the time the request for funding is submitted. Revenue and receivables should be recorded based on amounts submitted to the grantor for reimbursement rather than allocated expenses to ensure that revenue in excess of the grant amount is not recorded. In addition, we recommend annually the Charter School review the NYSED.gov website to reconcile total NCLB grants awarded and paid to total revenue and accounts receivable. This will ensure grant funding is properly recognized.

Management response

This mistake occurred due to subdividing grant revenue into multiple categories and accounts. Because of this subdivision, one invoice was not taken into account when producing another, resulting in the overstatement of revenues expected. To avoid this problem in the future, this subdivision will not be used.