

**HELLENIC CLASSICAL CHARTER SCHOOL**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORTS**

**JUNE 30, 2009 AND 2008**

**HELLENIC CLASSICAL CHARTER SCHOOL**

**TABLE OF CONTENTS**

**Independent Auditor's Report on Financial Statements**

**Exhibit**

- A - Statement of Financial Position**
- B - Statement of Activities**
- C - Statement of Functional Expenses**
- D - Statement of Cash Flows**

**Notes to Financial Statements**

**HELLENIC CLASSICAL CHARTER SCHOOL****TABLE OF CONTENTS  
(continued)**

**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**

**Schedule of Findings and Questioned Costs**

**Schedule of Prior Year Audit Findings**



## **Independent Auditor's Report on Financial Statements**

### **Board of Trustees Hellenic Classical Charter School**

We have audited the accompanying statement of financial position of Hellenic Classical Charter School as of June 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Hellenic Classical Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 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 Hellenic Classical 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 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 Hellenic Classical Charter School as of June 30, 2009 and 2008, 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 8, 2009 on our consideration of Hellenic Classical Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

*Loeb & Troper LLP*

October 8, 2009

## HELLENIC CLASSICAL CHARTER SCHOOL

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Assets		
Cash and cash equivalents	\$ 74,461	\$ 391,973
Accounts receivable (net of allowance for doubtful accounts of \$12,500 in 2009 and 2008)	34,127	42,867
Prepaid expenses and other assets	38,960	9,765
Fixed assets - net (Note 3)	<u>1,841,292</u>	<u>385,872</u>
Total assets	<u>\$ 1,988,840</u>	<u>\$ 830,477</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 207,603	\$ 144,599
Accrued salaries and related liabilities	<u>323,145</u>	<u>202,849</u>
Total liabilities	530,748	347,448
Net assets - unrestricted (Exhibit B)	<u>1,458,092</u>	<u>483,029</u>
Total liabilities and net assets	<u>\$ 1,988,840</u>	<u>\$ 830,477</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## HELLENIC CLASSICAL CHARTER SCHOOL

## STATEMENT OF ACTIVITIES

YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Operating revenues		
State and local per pupil operating revenues	\$ 3,834,518	\$ 2,757,586
Government grants and contracts	611,593	216,626
Foundations and corporate contributions	12,777	1,919
In-kind contributions (Note 7)	400,477	310,000
Interest income	4,800	16,120
Other revenues	<u>62,223</u>	<u>1,712</u>
Total operating revenues	<u>4,926,388</u>	<u>3,303,963</u>
Operating expenses		
Education	3,421,865	2,456,540
Management and general	<u>529,460</u>	<u>527,331</u>
Total operating expenses (Exhibit C)	<u>3,951,325</u>	<u>2,983,871</u>
Change in net assets from operations before other changes	975,063	320,092
Impairment of deferred rent expense		<u>164,000</u>
Change in net assets (Exhibit D)	975,063	484,092
Net assets (deficit) unrestricted - beginning of year	<u>483,029</u>	<u>(1,063)</u>
Net assets unrestricted - end of year (Exhibit A)	<u>\$ 1,458,092</u>	<u>\$ 483,029</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

HELLENIC CLASSICAL CHARTER SCHOOL

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2009 AND 2008

	2009			2008		
	Program Service	Supporting Service Management and General	Total	Program Service	Supporting Service Management and General	Total
	Education			Education		
Salaries	\$ 1,545,496	\$ 328,588	\$ 1,874,084	\$ 1,122,196	\$ 298,078	\$ 1,420,274
Payroll taxes and related expenses	421,294	23,584	444,878	218,768	58,109	276,877
Occupancy (Note 4)	386,400	22,933	409,333	339,529	21,058	360,587
Contracted services	55,648		55,648	39,799	18,000	57,799
Supplies and equipment (Note 7)	253,198	22,313	275,511	245,497	6,808	252,305
Repairs and maintenance	21,143	1,879	23,022	5,868	13,177	19,045
Printing and postage	2,377	792	3,169	3,023	1,007	4,030
Professional fees	59,517	73,251	132,768	20,001	64,813	84,814
Dues and subscription	169		169	399		399
Insurance	24,400	8,133	32,533	30,377	9,511	39,888
Telephone	2,986	1,990	4,976	3,821	2,103	5,924
In-kind salaries (Note 7)	400,477		400,477	308,918		308,918
Travel	1,641		1,641	7,981		7,981
Professional development	71,379		71,379	38,223		38,223
Depreciation and amortization	127,512	42,504	170,016	50,061	19,144	69,205
Bad debt	23,198		23,198		12,500	12,500
Miscellaneous expenses	25,030	3,493	28,523	22,079	3,023	25,102
Total expenses	\$ 3,421,865	\$ 529,460	\$ 3,951,325	\$ 2,456,540	\$ 527,331	\$ 2,983,871

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## HELLENIC CLASSICAL CHARTER SCHOOL

## STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 975,063	\$ 484,092
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	170,016	69,205
Decrease (increase) in assets		
Accounts receivable	8,740	(37,932)
Prepaid expenses	(29,195)	(7,923)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	63,004	44,451
Accrued salaries and related liabilities	120,296	202,849
Deferred rent expense		(164,000)
Advance deposits		(24,234)
Net cash provided by operating activities	<u>1,307,924</u>	<u>566,508</u>
Cash flows from investing activities		
Fixed asset acquisitions	<u>(1,625,436)</u>	<u>(306,987)</u>
Net increase (decrease) in cash and cash equivalents	(317,512)	259,521
Cash and cash equivalents - beginning of year	<u>391,973</u>	<u>132,452</u>
Cash and cash equivalents - end of year	<u>\$ 74,461</u>	<u>\$ 391,973</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**HELLENIC CLASSICAL CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**NOTE 1 - NATURE OF ORGANIZATION**

Hellenic Classical Charter School (HCCS) is an education corporation that operates as a charter school in the borough of Brooklyn, New York City. On February 7, 2005, the Board of Regents and the Board of Trustees of the University of the State of New York for and on behalf of the State Education Department granted HCCS a charter valid for a term of five years and renewable upon expiration. HCCS was organized to prepare all students intellectually, socially and emotionally, so they may gain entry to and succeed to the best high schools in New York City. In fiscal years 2009 and 2008 HCCS operated classes for approximately 304 and 250 students in Pre K through 7th grade, respectively.

Hellenic Classical Charter School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

HCCS is funded primarily by state and local per-pupil operating revenues paid through the New York State Department of Education.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of accounting* - The financial statements are prepared on the accrual basis.

*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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Contributions* - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The gifts are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The New York City Department of Food Services provides free and reduced price lunches directly to a majority of the students. Such costs are not included in the financial statements.

-continued-

## HELLENIC CLASSICAL CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Functional allocation of expenses** - Expenses are allocated among the program and supporting services based on the nature of the expense.

**Cash and cash equivalents** - Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

**Fixed assets** - Fixed assets are stated at cost. Items with a cost of \$1,000 or greater and a useful life in excess of one year are capitalized. Fixed assets are depreciated on the straight-line method over their estimated useful lives as follows:

Leasehold improvements	4-10 years
Furniture and fixtures	3-5 years
Computer hardware and other equipment	3-5 years

Leasehold improvements are amortized over the term of the lease or the life of the asset, whichever is shorter. Items with a cost of \$1,000 or more and an estimated useful life of more than one year are capitalized.

**Unrestricted net assets** - Unrestricted net assets include funds having no restrictions as to use or purpose imposed by the donors.

**State and local per pupil operating revenues** - Revenues from the state and local governments resulting from HCCS' charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and state funds are recorded by HCCS when expenditures are incurred and billed.

**Government grants and contracts** - Revenues from government grants and contracts to which HCCS is entitled are recognized mostly on student enrollment. Some grants are provided for specific educational endeavors, which are not based on student enrollment, and are recorded when related expenditures are incurred by HCCS.

**Reclassification** - Certain amounts have been reclassified to conform to the current year's presentation.

**Fair Value Measurements** - SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of SFAS No. 115 (SFAS No. 159), permits but does not require measurement of financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. As HCCS did not elect to fair value any of the financial instruments under the provisions of SFAS No. 159, the adoption of this statement effective January 1, 2008 did not have an impact on the financial statements.

-continued-

## HELLENIC CLASSICAL CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Financial Accounting Standards Board (FASB) Interpretation No. 48 - Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 (FIN 48)*

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for nonpublic companies and not-for-profits for periods beginning after December 15, 2008.

As FIN 48 has not been adopted, HCCS is continuing to use FASB Statement No. 5, *Accounting for Contingencies* (FAS 5) to evaluate uncertain tax positions. HCCS is currently evaluating the impact on the financial statements of adopting FIN 48.

## NOTE 3 - FIXED ASSETS

	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$ 320,625	\$ 198,999
Computer hardware and other equipment	52,533	41,114
Leasehold improvements	<u>1,762,553</u>	<u>270,162</u>
	2,135,711	510,275
Accumulated depreciation	<u>(294,419)</u>	<u>(124,403)</u>
	<u>\$ 1,841,292</u>	<u>\$ 385,872</u>

-continued-

**HELLENIC CLASSICAL CHARTER SCHOOL**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**NOTE 4 - LEASE COMMITMENT**

The School is obligated under a noncancelable operating lease for the facility space expiring in 2013 for annual lease payments of \$360,000. Future minimum payments are as follows:

2010	\$ 360,000
2011	360,000
2012	360,000
2013	<u>360,000</u>
	<u>\$ 1,440,000</u>

The rent expense for the years ended June 30, 2009 and 2008 was \$360,000 and \$300,000, respectively.

**NOTE 5 - PENSIONS**

HCCS has a defined contribution retirement plan with Teachers Insurance and Annuity Association and College Retirement Equities Fund which covers substantially all full-time employees. HCCS contributes an amount equal to 10% of the employee's contribution to the plan up to the legal maximum amount allowed. Pension expense under this plan for the years ended June 30, 2009 and 2008 was \$32,310 and \$17,860, respectively.

**NOTE 6 - CONTINGENCIES**

Certain grants and contracts may be subject to audit by the funding source. 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 7 - IN-KIND CONTRIBUTION**

HCCS records an in-kind contribution from the Greek Consulate for a Greek teacher's salary and Greek textbooks, as it meets the criteria for recognition under FASB Statement No. 116.

The amounts are shown as revenue and expense on the statement of activities each year.

-continued-

**HELLENIC CLASSICAL CHARTER SCHOOL****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2009 AND 2008****NOTE 8 - IMPAIRMENT OF DEFERRED RENT EXPENSE**

In 2008, HCCS renegotiated its lease agreement. The new lease agreement canceled the obligation on its current lease. This change resulted in a gain of \$164,000 in 2008.



**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**

**Board of Trustees  
Hellenic Classical Charter School**

We have audited the financial statements of Hellenic Classical Charter School as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated October 8, 2009. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Hellenic Classical 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 Hellenic Classical Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hellenic Classical Charter School's internal control over financial reporting.

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

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, the United States Department of Education, the New York State Department of Education and the United States Department of Agriculture and is not intended to be and should not be used by anyone other than these specified parties.



October 8, 2009

**HELLENIC CLASSICAL CHARTER SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u>          </u> yes	<u>  X  </u> no	
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>          </u> yes	<u>  X  </u> none reported	
Noncompliance material to financial statements noted?	<u>          </u> yes	<u>  X  </u> no	

**Section II - Financial Statement Findings**

None.

**HELLENIC CLASSICAL CHARTER SCHOOL**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

**Section II - Financial Statement Findings**

**08-01 Account Analysis/Financial Reporting**

During the course of our audit, we were required to propose fourteen adjusting journal entries.

These entries were required for the following purposes:

- To correct journal entries made in error
- To record year end accruals
- To correct cash balances
- To record accounts receivable
- To adjust depreciation expense
- To write off unamortized deferred rent expense
- To adjust benefits payable
- To record allowance for doubtful accounts

Analysis of the general ledger accounts were not performed by the management. Account analysis should be performed for all material accounts on a monthly basis. These analyses would have detected these errors. In addition, as a result of these errors, the internal financial reports throughout the year were incorrect.

**Follow-up**

This condition was rectified in 2009.

**08-02 Management Oversight**

There are three individuals in the fiscal department who each perform separate functions. However, there is no single person who takes responsibility for all the functions of the fiscal department. Additionally, there is no review of transactions by someone other than the individual performing these transactions.

**Follow-up**

This condition was rectified in 2009.