SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
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JOHN V. LINDSAY WILDCAT ACADEMY CHARTER SCHOOL

Audited Financial Statements

June 30, 2009

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JOHN V. LINDSAY WILDCAT ACADEMY CHARTER SCHOOL

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
John V. Lindsay Wildcat Academy Charter School

We have audited the accompanying statement of financial position of John V. Lindsay Wildcat Academy Charter School (the "School") as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year 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 audit.

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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the 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 8, 2009 on our consideration of the 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.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

October 8, 2009

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JOHN V. LINDSAY WILDCAT ACADEMY CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2009

Assets

Current assets:	
Cash and cash equivalents (Notes 2b and 2c)	$1,971,896
Grants receivable (Note 2d)	389,770
Other receivables (Note 3)	18,300
Other assets (Note 4)	575,000
Total current assets	2,954,966
Non-current assets:	
Fixed assets (Notes 2e and 5):	
Leasehold improvements and equipment	224,485
Leasehold improvements and equipment, restricted by grantor	18,819
Total non-current assets	243,304
Total assets	$3,198,270

Liabilities and Net Assets

Liabilities:	
Accounts payable	$115,238
Accrued expenses	552,449
Deferred rent	320,855
Total liabilities	988,542
Net assets: (Note 2a)	
Unrestricted	2,190,909
Temporarily restricted (Note 6)	18,819
Total net assets	2,209,728
Total liabilities and net assets	$3,198,270

The attached notes and auditors' report are an integral part of these financial statements.

JOHN V. LINDSAY WILDCAT ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	Unrestricted	Temporarily Restricted	Total
Public support and revenue:			
Public school district:			
Revenue - resident student enrollment	$5,770,115		$5,770,115
Revenue - students with disabilities	1,119,158		1,119,158
Federal grants	704,209		704,209
Private grants	34,750		34,750
Interest income	36,573		36,573
In kind services (Note 2h)	60,000		60,000
Other	6,089		6,089
Net assets released from restrictions (Note 6)	41,823	($41,823)	0
Total support and revenue	7,772,717	(41,823)	7,730,894
Expenses:			
Program services:			
Regular education	4,656,259		4,656,259
Special education	1,399,772		1,399,772
Other program	426,181		426,181
Total program services	6,482,212	0	6,482,212
Supporting services:			
Management and general	1,241,831		1,241,831
Total expenses	7,724,043	0	7,724,043
Change in net assets	48,674	(41,823)	6,851
Net assets - beginning	2,408,491	60,642	2,469,133
Prior period adjustment (Note 8)	(266,256)		(266,256)
Net assets - ending	$2,190,909	$18,819	$2,209,728

The attached notes and auditors' report are an integral part of these financial statements.

JOHN V. LINDSAY WILDCAT ACADEMY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	Program Services					
	Regular Education	Special Education	Other Program	Total	Management and General	Total Expenses
Salaries	$2,242,109	$739,871	$127,008	$3,108,988	$528,222	$3,637,210
Employee benefits and payroll taxes	920,253	299,943	34,159	1,254,355	133,184	1,387,539
Total personnel services	3,162,362	1,039,814	161,167	4,363,343	661,406	5,024,749
Bad debt expense				0	213,911	213,911
Bank charges				0	5,646	5,646
Consultants and professional (including in-kind services Note 2h)	117,640	30,360	145,914	293,914	88,430	382,344
Copying	6,291	1,861	1,691	9,843	1,124	10,967
Educational supplies	40,290	7,877	12,827	60,994		60,994
Equipment leasing	272	271	195	738	6,538	7,276
Equipment rental	20,153	5,745		25,898	3,366	29,264
Insurance	20,765	5,854		26,619	3,275	29,894
Maintenance	21,416	5,349		26,765	3,285	30,050
Miscellaneous	1,390	359		1,749	11,062	12,811
Office supplies, postage and printing	1,398	643	792	2,833	6,707	9,540
Rent	902,455	264,776		1,167,231	214,993	1,382,224
Staff development	8,554	1,027		9,581	173	9,754
Student incentives and internships	168,781		50,341	219,122		219,122
Telephone	20,661	5,925		26,586	3,463	30,049
Travel	8,270	851	1,890	11,011	907	11,918
Utilities	98,907	28,300		127,207	17,125	144,332
Water	2,846	760		3,606	420	4,026
Depreciation and amortization	53,808		51,364	105,172		105,172
Total expenses	$4,656,259	$1,399,772	$426,181	$6,482,212	$1,241,831	$7,724,043

The attached notes and auditors' report are an integral part of these financial statements.

JOHN V. LINDSAY WILDCAT ACADEMY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

Cash flows from operating activities:	
Change in net assets	$6,851
Adjustments to reconcile increase in net assets to net cash provided by/(used for) operating activities:	
Depreciation and amortization	105,172
(Increase)/decrease in:	
Grants receivable	(162,906)
Other receivables	213,258
Other assets	(231,089)
Increase/(decrease) in:	
Accounts payable	22,017
Accrued expenses	64,845
Deferred rent	54,599
Refundable advance	(5,172)
Total adjustments	60,724
Net cash provided by operating activities	67,575
Cash flows from investing activities:	
Acquisition of equipment, leasehold improvements and furniture	(120,030)
Net cash used for investing activities	(120,030)
Net decrease in cash and cash equivalents	(52,455)
Cash and cash equivalents - beginning of year	2,024,351
Cash and cash equivalents - end of year	$1,971,896

Supplemental data:
Interest paid - $0
Taxes paid - $0

The attached notes and auditors' report are an integral part of these financial statements.

JOHN V. LINDSAY WILDCAT ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 - Organization and Nature of Activities

Effective September 1, 2000, John V. Lindsay Wildcat Academy Charter School (the "School") was granted a charter by the University of the State of New York, Education Department. The School's charter has been renewed, most recently for a period of three years from July 31, 2008 through August 31, 2011. The School is an inner city high school serving adolescents who are at risk of failure due to poor attendance, disruptive behavior, criminal activity and poor academic achievement.

The School was organized under the Not-For-Profit Corporation Law of the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar NYS statutes.

Note 2 - Significant Accounting Policies

a. Basis of Presentation
The accompanying financial statements have been prepared using the accrual basis of accounting.

The School's net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted* – represent those resources for which there are no restrictions by donors as to their use.

- *Temporarily restricted* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor. When the restrictions from temporarily restricted contributions have been met in the year of donation, they are reported as unrestricted.

b. Cash and Cash Equivalents
Checking and money market accounts with local banks and highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents for purposes of the accompanying statement of cash flows.

Included in cash and cash equivalents are certificates of deposits that are valued using level 2 inputs on the fair value hierarchy outlined in FASB Accounting Standards Codification (ASC) 820 (formerly SFAS No. 157).

c. Concentration of Credit Risk
Financial instruments which potentially subject the School to concentration of credit risk consist of cash accounts which are placed with financial institutions that management deems to be credit worthy. At times, balances may exceed federally

insured limits. While at year end, the School had material uninsured balances, management feels they have little risk and has not experienced any losses.

d. Grants Receivable – Advances

Government grants that have traits more similar to contracts for service are treated as exchange transactions and are recorded as income when earned. Grants earned in excess of cash received are recorded as grants receivable and cash received in excess of grants earned are recorded as refundable advances.

The School reviews receivables that are unlikely to be collected based on historical experience and a review of activity subsequent to the balance sheet date. No allowance for doubtful accounts exists as of June 30, 2009. Write-offs will be made directly to operations in the period the receivable is deemed to be uncollected. (See Note 3)

e. Fixed Assets

Property and equipment that exceed pre-determined amounts and have a useful life of greater than one year are recorded at cost or at the fair market value at the date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

Office equipment – *3 year life*
Furniture and fixtures –*7 year life*
Leasehold improvements – *Life of lease*

f. Revenues – Public School District

The School receives grants from the New York City Department of Education (NYCDOE) to carry out its operations. Program revenues are recognized based on rates established by the School's funding sources and the amount realizable on the accrual basis in the period during which services are provided.

g. Contributions

Contributions are recorded as revenue upon receipt of cash or at the time a pledge is considered unconditional. Contributions received with specific donor restrictions are recorded in the permanent or temporarily restricted class of net assets, depending on the nature of the donor's restriction. All other contributions are recorded as unrestricted.

Contributions expected to be received within one year are recorded at their net realizable value. Long-term pledges are recorded at present value using a risk free rate of return. Conditional contributions received are recorded as liabilities and are recognized as income when the conditions have been substantially met.

h. Contributed Services

Donated services that either create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind, are recognized at fair value.

Although the School receives services from board members and other volunteers, these services do not meet the criteria for recognition as outlined above and have not been recorded.

During the year, the School received the services of a pro-bono attorney, which has been valued at $60,000. These services have been recorded as income and management and general expenses.

i. Functional Allocation of Expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The School did not incur any fundraising expenses.

j. 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.

k. Accounting for Uncertainty of Income Taxes
The FASB issued FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109.* FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes.* FIN 48 prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken on a tax return. In addition, FIN 48 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The effective date of applying FIN 48 has been postponed until December 31, 2009. The School has elected to defer the application of FIN 48 and the effects have yet to be determined.

Note 3 - Other Receivables/Related Party Transactions

As of June 30, 2009, other receivables consist of:

Receivable from:	
New Era Transitions, Inc.	$15,793
Other	2,507
Total other receivables	$18,300

In 2009, a receivable of approximately $214,000 from Wildcat Service Corporation ("WSC") was written off after consultation with the School's attorney.

The receivable from the New Era Transitions, Inc. (NETS), a non-profit organization incorporated in the City of New York, represents start up costs and funds advanced by the School. NETS is a related entity by affiliation, since three of its board members are also serving on the Board of the School. The School's compliance officer is also serving on the Board of NETS.

Note 4 - Other Assets

As of June 30, 2009 other assets consist of:

Security deposit	$490,125
Prepaid insurance	35,445
Other	49,430
Total	$575,000

Note 5 - Fixed Assets

At June 30, 2009, fixed assets consisted of the following:

Furniture	$28,360
Equipment	495,888
Leasehold improvements	88,873
Subtotal	613,121
Less: accumulated depreciation	(369,817)
Total fixed assets, net	$243,304

Note 6 - Temporarily Restricted Net Assets

Net assets were released from restriction due to satisfaction of program requirements. The remaining net assets in the temporarily restricted class relate to a capital contribution that is anticipated to be satisfied in future periods through recording of depreciation expense.

Note 7 - Significant Concentrations

The School and NYCDOE signed an agreement, which permits the school to operate the charter until August 31, 2011 date. For the year ended June 30, 2009, approximately 88% of the School's total public support and revenue, excluding in-kind contributions, was realized from NYCDOE.

Note 8 - Commitments

The School occupies space in lower Manhattan and the Bronx under separate leases that expire on October 31, 2017 and August 31, 2022.

As of June 30, 2009, minimum lease payments due under the leases for the next five years are as follows:

Year	Amount
2010	$1,399,141
2011	1,599,347
2012	1,640,900
2013	1,675,158
2014	1,767,421
Thereafter	10,597,861
Total	$18,679,828

In accordance with ASC 840-25-2 (formerly SFAS No. 13), the School records rent expense on the straight line method and recognizes deferred rent for the cumulative amount that expenses exceed actual payments.

A prior period adjustment was made in the amount of $266,256 to recognize the deferred rent as of June 30, 2008 that had not been previously recorded.

Note 9 - Pension

All union members are covered under a retirement plan administered by the New York City Teachers Retirement System. The plan is partially contributory. The School's contribution amounted to $595,212 for the year ended June 30, 2009.

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IRA L. SCHALL, CPA
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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 of
John V. Lindsay Wildcat Academy Charter School

We have audited the financial statements of John V. Lindsay Wildcat Academy Charter School (the "School") as of and for the year ended June 30, 2009, and have issued our report thereon dated October 8, 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 the 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 the 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.

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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 matters that we reported to management of the School in a separate letter dated October 8, 2009.

This report is intended solely for the information and use of management, the Board of Trustees and others within the School, and is not intended to be and should not be used by anyone other than these specified parties.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

October 8, 2009

JOHN V. LINDSAY WILDCAT ACADEMY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2009

Current Year:

09-1 – Cash balances in excess of FDIC insurance limits

Condition: Deposits with a financial institution exceeded the FDIC insurance levels.

Cause: The board of trustees in still in the process of exploring investment options to eliminate the exposure on uninsured cash balances.

Effect: Cash balances in excess of FDIC insurance levels create a risk of potential loss of School assets.

Recommendation: The School should consider diversifying their cash balances to minimize the exposure on balances in excess of FDIC insurance levels.

Management response:
The School's Board and management continually discuss market trends and elect to have banking relationships with two strong financial institutions, JPMorgan Chase and Bank of America. FDIC insurance limits are currently $250,000 and investments are covered by SIPC up to $500,000.

Prior Year Follow-Up:

08-1 – This condition has not been corrected. See current year 09-01

08-2 – This condition has been corrected.