

# **International Leadership Charter School**

Financial Statements

June 30, 2009 and 2008

# International Leadership Charter School

## Financial Statements

June 30, 2009 and 2008

<b>TABLE OF CONTENTS</b>	<b>Page</b>
Independent Auditors' Report	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-9
<b>ADDITIONAL INFORMATION</b>	
Independent Auditors' Report on Additional Information	10
Schedule of Functional Expenses	11
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12-13



O'Connor Davies Munns & Dobbins, llp  
ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

### To the Board of Trustees International Leadership Charter School

We have audited the accompanying statements of financial position of International Leadership Charter School as of June 30, 2009 and 2008 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of International Leadership 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 audits 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 District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 International Leadership Charter School as of June 30, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2009 on our consideration of International Leadership 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.

*O'Connor Davies Munns & Dobbins, LLP*

White Plains, New York  
October 6, 2009

Bennett Kielson Storch DeSantis Division

One Barker Avenue, White Plains, New York 10601 914.421.5600 tel 914.421.5099 fax www.odmd.com

# International Leadership Charter School

## Statements of Financial Position

June 30,

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 67,660	\$ 18,388
Accounts receivable	2,481	-
Prepaid expenses	3,966	-
Security deposits and other assets	143,862	148,850
Property and equipment, net	<u>737,984</u>	<u>187,710</u>
	<u>\$ 955,953</u>	<u>\$ 354,948</u>
 <b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 524,675	\$ 398,017
Due to SUNY-CSI	100,000	-
Due to related party	<u>32,600</u>	<u>41,000</u>
Total Liabilities	657,275	439,017
Net Assets (Deficit) - Unrestricted	<u>298,678</u>	<u>(84,069)</u>
	<u>\$ 955,953</u>	<u>\$ 354,948</u>

See notes to financial statements

**International Leadership Charter School**

Statements of Activities

Years Ended June 30,

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>						
Public School District -						
State and local per pupil operating revenue	\$ 2,933,956	\$ -	\$ 2,933,956	\$ 1,999,326	\$ -	\$ 1,999,326
Government grants and contracts	702,474	-	702,474	285,083	-	285,083
Contributions	550	-	550	-	-	-
Donated services	59,400	-	59,400	46,534	-	46,534
Other income	3,784	-	3,784	293	-	293
	<u>3,700,164</u>	<u>-</u>	<u>3,700,164</u>	<u>2,331,236</u>	<u>-</u>	<u>2,331,236</u>
Net assets released from restrictions	-	-	-	50,000	(50,000)	-
Total Revenue and Support	<u>3,700,164</u>	<u>-</u>	<u>3,700,164</u>	<u>2,381,236</u>	<u>(50,000)</u>	<u>2,331,236</u>
<b>EXPENSES</b>						
Program services	2,248,615	-	2,248,615	1,748,962	-	1,748,962
General and administrative	<u>1,068,802</u>	<u>-</u>	<u>1,068,802</u>	<u>741,909</u>	<u>-</u>	<u>741,909</u>
Total Expenses	<u>3,317,417</u>	<u>-</u>	<u>3,317,417</u>	<u>2,490,871</u>	<u>-</u>	<u>2,490,871</u>
Changes in Net Assets	382,747	-	382,747	(109,635)	(50,000)	(159,635)
<b>NET ASSETS (DEFICIT)</b>						
Beginning of year	<u>(84,069)</u>	<u>-</u>	<u>(84,069)</u>	<u>25,566</u>	<u>50,000</u>	<u>75,566</u>
End of year	<u>\$ 298,678</u>	<u>\$ -</u>	<u>\$ 298,678</u>	<u>\$ (84,069)</u>	<u>\$ -</u>	<u>\$ (84,069)</u>

See notes to financial statements

# International Leadership Charter School

## Statements of Cash Flows

Years Ended June 30,

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 382,747	\$ (159,635)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	204,589	33,545
Changes in operating assets and liabilities		
Accounts receivable	(2,481)	120,984
Prepaid expenses	(3,966)	-
Due from related party	-	36,932
Security deposits and other assets	4,988	(76,181)
Accounts payable and accrued expenses	126,658	85,555
Due to related party	(8,400)	41,000
Due to SUNY-CSI	100,000	-
Refundable advances	-	(144)
Deferred rent obligation	-	(80,536)
	<u>804,135</u>	<u>1,520</u>
Net Cash From Operating Activities	804,135	1,520
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets and leasehold improvements	<u>(754,863)</u>	<u>(2,312)</u>
	49,272	(792)
Net Changes in Cash and Cash Equivalents	49,272	(792)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>18,388</u>	<u>19,180</u>
End of Year	<u>\$ 67,660</u>	<u>\$ 18,388</u>

See notes to financial statements

# International Leadership Charter School

## Notes to Financial Statements

### 1. Organization and Tax Status

The International Leadership Charter School (the “Charter School”) is an educational corporation that operates in the borough of the Bronx, New York City. On January 10, 2006, 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 fiscal year ended June 30, 2009 is the third year of operation for the Charter School. During the fiscal year, the Charter School operated classes for students in the 9th, 10th and 11th grades.

The Charter School’s mission is to provide a rigorous curriculum, disciplined environment and supportive community, where their students are academically and socially prepared to excel in demanding college and university settings.

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

### 2. Summary of Significant Accounting Policies

#### *Contributions and Unconditional Promises to Give*

The Charter School reports gifts of cash and other assets 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 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. The Charter School reports amounts received with donor stipulations that limit the use of the assets for certain purposes as unrestricted net assets if the stipulated purpose restriction is accomplished in the same year. Contributions of assets other than cash are recorded at their estimated fair value.

#### *Revenue Recognition*

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

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

## International Leadership Charter School

### Notes to Financial Statements

#### 2. Summary of Significant Accounting Policies *(continued)*

##### *Revenue Recognition (continued)*

The Charter School recognizes contributed services in accordance with Statement of Financial Accounting Standards (“SFAS”) NO. 116, “Accounting for Contributions Received and Contributions Made.” Accordingly, contributed services are recognized as revenue and assets or expenses at fair value if those services (a) create or enhance nonfinancial assets, (b) would typically need to be purchased by the Charter School if they had not been provided by contribution or (c) require specialized skills and are provided by individuals with those skills. The Charter School received donated legal services that have been recognized at their fair value of \$59,400 for the period ended June 30, 2009.

A number of volunteers have made a contribution of their time to the Charter School to develop its programs and to serve on the Charter School’s board of trustees. The value of such contributed time is not reflected in these financial statements because it does not meet the criteria for recognition.

##### *Accounting For Uncertainty in Income Taxes*

The Charter School is not aware of any violation of the Charter School’s tax status as an organization exempt for income taxes, nor of any exposure to unrelated business income tax. Consequently, in the opinion of management, adoption of FASB Staff Position No. FIN 48 “Accounting for Uncertainty in Income Taxes,” should not have a significant effect on the Charter School. The Charter School’s accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable.

##### *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Charter School considers all highly liquid investments, with a maturity of three months or less at the time of purchase to be cash equivalents.

##### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates by management. Actual results could differ from these estimates.

# International Leadership Charter School

## Notes to Financial Statements

### 2. Summary of Significant Accounting Policies (*continued*)

#### *Property and Equipment*

Property and equipment is recorded at cost. Additions and improvements or betterments in excess of \$500 with an estimated useful life of more than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or term of the related lease. Property and equipment acquired with certain government contract funds are recorded as expenses when the government retains title to such assets.

#### *Functional Expenses*

Expenses are classified according to the functional categories for which they are incurred, as follows:

Education services – represents expenses directly associated with general education and special educational for certain students requiring additional attention and guidance.

Management and general – represents expenses related to the overall administration and operation of the Charter School that are not associated with any program services or fundraising.

Fundraising – represents expenses related to efforts to raise additional funds for the Charter School not earned by their pupil revenue and grants from federal, state and local government.

#### *Subsequent Events Evaluation by Management*

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 6, 2009.

### 3. Concentration of Credit Risk

The Charter School maintains its cash and cash equivalents in bank deposit accounts which, at times may exceed federally insured limits. The Charter School has not experienced any losses in these accounts.

# International Leadership Charter School

## Notes to Financial Statements

### 4. Related Party Transaction

Friends of International Leadership Charter School (the “Friends”) is a not-for-profit organization dedicated to specifically support the operations of the Charter School. An officer of the Charter School is also a Board member of Friends.

A shortfall in revenue caused a cash flow deficiency that could have impacted the Charter School’s operations. During fiscal year 2008, the Charter School requested from the Friends a loan in the amount of \$41,000. At June 30, 2009, the remaining outstanding balance of the loan was \$32,600 including an additional \$7,000 loan made during fiscal year 2009. No interest is collected on this loan and the monthly payment is \$1,400 until it is paid.

### 5. Property and Equipment, Net

Property and equipment consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Computers and other equipment	\$ 123,088	\$ 66,025
Furniture and fixtures	57,642	31,394
Leasehold improvements	<u>812,038</u>	<u>140,486</u>
	992,768	237,905
Less: Accumulated depreciation and amortization	<u>(254,784)</u>	<u>(50,195)</u>
	<u>\$ 737,984</u>	<u>\$ 187,710</u>

Leasehold improvements include a build-out of a science laboratory to support instruction in biology, chemistry and physics. These subjects are critical to students completing their graduation requirements and receiving a Regents-endorsed diploma in accordance with the Charter approved by the New York State Education Department. The improvements also include the build-out of six additional classrooms, which are necessary to build the required capacity for teaching the required courses for the 11th and 12th grades under the requirements of the New York State Regents. Further, an additional class space provided the capacity to accommodate the enrollment requirements for and compliance with the Charter School’s goals for expansion at year three.

The improvements were partially funded with \$350,000 of State Stimulus Fund grant funds from the State University of New York Charter School Institute.

Depreciation expense for the years ended June 30, 2009 and 2008 were \$204,589 and \$33,545 respectively.

# International Leadership Charter School

## Notes to Financial Statements

### 6. Commitments

The Charter School entered into a five-year noncancelable operating lease agreement with an unrelated third party for a facility in the Bronx, New York for its administrative office and instructional location. The lease will expire on August 15, 2011 and the Charter School has an option to extend the agreement for another five-year period.

Future minimum lease payments under the lease payable in the fiscal years ending June 30 are as follows:

2010	\$	570,945
2011		570,945
2012		<u>71,368</u>
	\$	<u>1,213,258</u>

### 7. Contingences

Certain grants and contracts are subject to audit by funding sources. Such audits may result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have material effect on the accompanying financial statements.

The Charter School is involved in a personnel related legal action arising in the ordinary course of business. Management intends to vigorously defend the action and is of the opinion that the ultimate outcome of this action would not have a material adverse impact on the financial statements of the Charter School.

### 8. Employee Benefit Plan

The Charter School maintains a deferred compensation plan for all qualified employees. The Charter School elects to make contributions to the plan on a discretionary basis. For the year ended June 30, 2009, the Charter School had not contributed to the plan.

**International Leadership Charter School  
Additional Information**



O'Connor Davies Munns & Dobbins, llp  
ACCOUNTANTS AND CONSULTANTS

**INDEPENDENT AUDITORS' REPORT  
ON ADDITIONAL INFORMATION**

**To the Board of Trustees  
International Leadership Charter School**

Our report on our audits of the basic financial statements of International Leadership Charter School for 2009 and 2008 appears on pages 1 to 2. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the fiscal year ended June 30, 2009, with comparative totals for 2008 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*O'Connor Davies Munns & Dobbins, LLP*

White Plains, New York  
October 6, 2009

## International Leadership Charter School

### Schedule of Functional Expenses

Year Ended June 30, 2009  
(With comparative totals for the year ended June 30, 2008)

	Program Services	General and Administrative	Totals 2009	Totals 2008
Salaries	\$ 701,141	\$ 333,128	\$ 1,034,269	\$ 951,657
Payroll taxes and benefits	418,049	198,623	616,672	164,567
Curricula and books	46,712	22,194	68,906	27,136
Instructional supplies and equipment	53,015	25,188	78,203	64,729
Student meals	56,833	27,002	83,835	53,476
Contractual services	17,620	8,371	25,991	26,215
Professional services	80,793	38,388	119,181	164,640
Marketing and recruiting	16,253	7,721	23,974	58,295
Office supplies	8,894	4,226	13,120	15,997
Postage, printing and subscriptions	9,699	4,609	14,308	14,328
Rent	387,051	183,897	570,948	562,327
Utilities	75,666	35,950	111,616	74,307
Security	58,748	28,349	87,097	101,062
Facility maintenance and equipment	62,421	29,657	92,078	69,159
Insurance	23,989	11,399	35,388	34,453
Travel	3,599	1,710	5,309	2,266
Professional development	49,869	23,694	73,563	52,256
Local taxes	22,461	10,672	33,133	6,735
Depreciation	138,693	65,896	204,589	33,545
Other expenses	17,109	8,128	25,237	13,721
Totals	\$ 2,248,615	\$ 1,068,802	\$ 3,317,417	\$ 2,490,871

See independent auditors' report



**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  
International Leadership Charter School**

We have audited the financial statements of International Leadership Charter School as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated October 6, 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 the International Leadership 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 the International Leadership Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of International Leadership 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.

**Board of Trustees**  
**International Leadership Charter School**  
**Page 2**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the International Leadership 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 other matters that we reported to the management of International Leadership Charter School in a separate letter dated October 6, 2009.

This report is intended solely for the information and use of the audit committee, Board of Trustees, management, the Department of Education of the City of New York, the State Education Department of the University of the State of New York and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*O'Connor Davieo Murino & Dobbins, LLP*

White Plains, New York  
October 6, 2009