EAST NEW YORK PREPARATORY CHARTER SCHOOL
(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

EAST NEW YORK PREPARATORY CHARTER SCHOOL
(A Not-For-Profit Corporation)
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JUNE 30, 2009 AND 2008

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION:	
Statements of financial position	2
Statements of activities	3
Statements of cash flows	4
Notes to the financial statements	5 - 9
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 GOVERNMENT AUDITING STANDARDS	12 - 13

FRUCHTER ROSEN & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
156 WEST 56TH STREET
NEW YORK, NEW YORK 10019

TEL: (212) 957-3600
FAX: (212) 957-3696

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES
EAST NEW YORK PREPARATORY CHARTER SCHOOL

We have audited the accompanying statements of financial position of East New York Preparatory Charter School (a not-for-profit corporation) 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 the 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 School's 2008 financial statements and in our report dated October 3, 2008, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East New York Preparatory 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 2, 2009 on our consideration of East New York Preparatory Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on 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 read in conjunction with this report in considering the results of our audit.

Fruchter Rosen & Company P.C.
FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
October 2, 2009

EAST NEW YORK PREPARATORY CHARTER SCHOOL
(A Not-for-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,436,024	$ 867,749
Grants receivable	154,198	75,395
Prepaid expenses and other assets	6,546	26,009
Total current assets	1,596,768	969,153
Property and equipment, net of accumulated depreciation of $32,644 and $13,645, respectively	31,790	23,050
Restricted cash	74,920	51,388
TOTAL ASSETS	$ 1,703,478	$ 1,043,591
LIABILITIES AND UNRESTRICTED NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 118,170	$ 162,682
Accrued payroll	87,304	55,843
Total current liabilities	205,474	218,525
Contingency	-	-
Unrestricted net assets	1,498,004	825,066
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	$ 1,703,478	$ 1,043,591

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

EAST NEW YORK PREPARATORY CHARTER SCHOOL
(A Not-for-Profit Corporation)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2009	2008
Revenue and support:		
State and local per pupil operating revenue	$ 2,254,672	$ 1,544,906
Federal grants	315,923	230,897
State and city grants	16,813	4,050
Contributions and grants	126,000	56,000
Interest and other income	25,910	120,781
Total revenue and support	2,739,318	1,956,634
Expenses:		
Program services - regular education	1,766,967	1,347,581
Management and general	295,563	251,574
Fund-raising	3,850	48,463
Total expenses	2,066,380	1,647,618
Changes in unrestricted net assets	672,938	309,016
Unrestricted net assets at beginning of year	825,066	516,050
Unrestricted net assets at end of year	$ 1,498,004	$ 825,066

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

EAST NEW YORK PREPARATORY CHARTER SCHOOL
(A Not-for-Profit Corporation)
STATEMENTS OF CASH FLOWS

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in unrestricted net assets	$ 672,938	$ 309,016
Adjustments to reconcile unrestricted net assets to net cash provided by operating activities:		
Depreciation	18,999	10,289
Changes in operating assets and liabilities:		
(Increase) Decrease in grants receivable	(78,803)	64,605
Decrease in prepaid expenses and other assets	19,463	31,327
(Increase) in restricted cash	(23,532)	(1,131)
Increase (Decrease) in accounts payable and accrued expenses	42,792	(14,071)
(Decrease) in accrued payroll	(55,843)	(2,335)
(Decrease) in deferred revenue	-	(49,887)
NET CASH PROVIDED BY OPERATING ACTIVITIES	596,014	347,813
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(27,739)	(8,963)
NET INCREASE IN CASH AND CASH EQUIVALENTS	568,275	338,850
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	867,749	528,899
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,436,024	$ 867,749

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

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

East New York Preparatory Charter School (the "School") is an educational corporation that operates in the borough of Brooklyn and county of Kings, New York. On December 9, 2005, the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration.

During the period from December 9, 2005 to June 30, 2006, the School was dormant and had no significant revenue and expense activities. Any school-related start-up activities were being handled directly by Friends of East New York Preparatory Charter School, a related party.

The School's mission is to provide a rigorous curriculum, disciplined environment and supportive community, where our students are academically and socially prepared to excel in demanding, college preparatory high schools

In fiscal year 2009, the School operated classes for approximately 181 students in kindergarten through grade three.

The New York City Department of Education ("NYCDOE") provides free classroom space to the School. The School is responsible for any overtime-related costs for services provided beyond the regular opening hours.

Tax Status

The School is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and a similar provision under New York State income tax laws.

Basis of Presentation

Financial statement presentation follows the requirements of Statement of Financial Accounting Standards ("SFAS") No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the School is required to report 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. The net assets classifications are described as follows:

Unrestricted

Net assets of the School whose use has not been restricted by an outside donor or by law. They are available for any use in carrying out the operations of the School.

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Temporarily Restricted
Net assets of the School whose use has been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the School. When such stipulations end or are fulfilled, such 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.

Permanently Restricted
Net assets of the School whose use has been permanently limited by donor-imposed restrictions. Such assets include contributions required to be invested in perpetuity, the income from which is available to support charitable purposes designated by the donors.

The School has no temporarily or permanently restricted net assets at June 30, 2009 and 2008.

Revenue and support
Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the school's current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value.

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agencies.

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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution should it occur.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments which potentially subject the School to concentrations of credit risk are cash and cash equivalents. The School places its cash and cash equivalents on deposit in what it believes to be highly credited financial institutions. Cash balances may exceed the FDIC insured levels of $250,000 per institution at various times during the year. The School believes that there is little risk in any losses and has not experienced any losses in such accounts

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment acquired with certain government funding are recorded as expenses pursuant to the terms of the contract, in which ownership of such property and equipment is retained by the funding source. Maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

Computer and Equipment	3 years
Furniture and Fixtures	3 years

Refundable Advances

The School records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

Reclassifications

Certain 2008 accounts have been reclassified to conform to the 2009 financial statement presentation. The reclassifications have no effect on 2008 total assets, liabilities, net assets and changes in net assets.

Comparative Financial Information

The accompanying statements of activities and functional expenses are presented with summarized comparative information. Such prior year information is not presented by net asset class in the statement of activities or by functional category in the statement of functional expenses. Accordingly, such information should be read in conjunction with the School's 2008 financial statements from which the summarized information was derived.

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (the "FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*- an interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. If there are changes in net assets as a result of application of FIN 48, these will be accounted for as an adjustment to the opening balance of net assets. Additional disclosures about the amounts of such liabilities will also be required. In 2008, the FASB delayed the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The School will be required to adapt FIN 48 in its June 30, 2010 financial statements. The adoption of FIN 48 is not expected to have a material impact on the School's financial position, results of operations or cash flows.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

Grants receivable consisted of federal and city entitlements and grants. The School expects to collect these receivables within one year.

NOTE 3 - PROPERTY AND EQUIPMENTS

Property and equipment consists of the following at June 30:

	2009	2008
Furniture and Fixtures	$ 28,188	$ 14,481
Computer and Equipment	36,246	22,214
	64,434	36,695
Less Accumulated Depreciation	32,644	13,645
	$ 31,790	$ 23,050

Depreciation expense was $18,999 and $10,289 for the year ended June 30, 2009 and 2008, respectively.

NOTE 4 - RELATED PARTY TRANSACTIONS

The School is an affiliate of Friends of East New York Preparatory Charter School ("Friends of"), a New York State not-for-profit corporation. Friends of supports the School through technical and financial assistance. For the years ended June 30, 2009 and 2008, there were no transactions between the School and Friends of and there were no balances due to/from Friends of as of June 30, 2009 and 2008.

NOTE 5 - CONTINGENCY

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in 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 6 - REVENUE CONCENTRATION

The School receives a substantial portion of its support and revenue from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

NOTE 7 - FUNCTIONAL ALLOCATION OF EXPENSE

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expense includes those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

NOTE 8 - RETIREMENT PLAN

During the fiscal year 2008, the organization maintained a pension plan qualified under Internal Revenue Code 403(b) for the benefit of its eligible employees. Under the plan, the School matched employee contributions up to 5% of annual compensation. Employee match for the year ended June 30, 2008 amounted to $11,078.

During the fiscal year 2009, the School converted from a 403(b) plan to a 401K plan. Under the plan the School matched employee contributions up to 5% of the annual compensation covered under the employment arrangement with ADP Total Source, Inc. (See Note 9). Employee match for the year ended June 30, 2009 amounted to $4,128.

NOTE 9 - EMPLOYMENT CONTRACT

The School engaged into a co-employment arrangement with ADP Total Source, Inc a professional employment organization, effective July 1, 2008. Under the co-employment arrangement, ADP assumes certain employment responsibilities, including the payment and reporting employees' wages, payroll taxes and retirement plan.

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TEL: (212) 957-3600
FAX: (212) 957-3696

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

TO THE BOARD OF TRUSTEES
EAST NEW YORK PREPARATORY CHARTER SCHOOL

Our report on our audit of the basic financial statements of East New York Preparatory Charter School (a not-for-profit corporation) as of June 30, 2009, appears on Page 1. We conducted our audit 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 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 as a whole.

Fruchter Rosen & Company P.C.
FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
October 2, 2009

EAST NEW YORK PREPARATORY CHARTER SCHOOL
(A Not-for-Profit Corporation)
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30,

	2009				
	Regular Education	Management and General	Fund-raising	Total	2008
Salaries and wages	$ 983,466	$ 180,838	$ -	$ 1,164,304	$ 887,234
Employee benefits and payroll taxes	71,798	13,202	-	85,000	134,909
Payroll Service Fees	104,747	19,261	-	124,008	-
Classroom supplies and instructional materials	130,188	-	-	130,188	216,197
Insurance	15,838	2,912	-	18,750	21,377
Professional fees	78,286	38,228	-	116,514	215,038
Office expense	34,278	6,303	-	40,581	19,633
Postage and delivery	13,028	2,396	-	15,424	11,266
Printing and photocopying	11,769	2,164	-	13,933	10,050
Conference, meetings and travel	21,090	1,640	-	22,730	15,395
Temporary staff	131,956	-	-	131,956	8,683
Staff professional development	41,026	-	-	41,026	10,600
Special needs services	7,873	-	-	7,873	-
Student food services	2,633	-	-	2,633	3,290
Student testing services	4,152	-	-	4,152	3,425
Miscellaneous expense	6,701	1,232	-	7,933	7,918
Marketing and recruitment costs	45,729	4,786	3,850	54,365	49,651
Technology infrastructure and software	2,846	523	-	3,369	4,544
Telephone and internet	3,893	716	-	4,609	5,211
Repairs and maintenance	2,165	397	-	2,562	3,750
Leadership/Professional development	46,855	8,616	-	55,471	9,158
Depreciation	6,650	12,349	-	18,999	10,289
	$ 1,766,967	$ 295,563	$ 3,850	$ 2,066,380	$ 1,647,618

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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
EAST NEW YORK PREPARATORY CHARTER SCHOOL

We have audited the financial statements of East New York Preparatory Charter School ("the School") as of and for the year ended June 30, 2009, and have issued our report thereon dated October 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the 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 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.

TO THE BOARD OF TRUSTEES OF
EAST NEW YORK PREPARATORY CHARTER SCHOOL

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 were reported to the management of the School in a separate letter dated October 2, 2009.

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

Fruchter Rosen & Company P.C.
FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
October 2, 2009