

**WESTERN NEW YORK MARITIME CHARTER SCHOOL**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2010**  
**AND JUNE 30, 2009**

**WESTERN NEW YORK MARITIME CHARTER SCHOOL  
FOR THE YEARS ENDED JUNE 30, 2010  
AND JUNE 30, 2009  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Western New York Maritime Charter School  
Buffalo, New York

We have audited the accompanying statements of financial position of Western New York Maritime Charter School as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Western New York Maritime 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 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 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 Western New York Maritime Charter School as of June 30, 2010 and 2009, 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 September 22, 2010, on our consideration of Western New York Maritime 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 important for assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Western New York Maritime Charter School taken as a whole. The accompanying schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Orchard Park, New York  
September 22, 2010

R.A. MERCER & CO, P.C.  
*R.A. Mercer & Co., P.C.*

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## **FINANCIAL STATEMENTS**

**WESTERN NEW YORK MARITIME CHARTER SCHOOL**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2010 AND JUNE 30, 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 284,352	29,113
Grants and Other Receivables	126,556	101,304
Prepaid Expenses	67,462	73,932
Deposits	63,833	73,833
Fixed Assets		
Property and Equipment, net	<u>628,912</u>	<u>635,509</u>
 Total Assets	 <u>1,171,115</u>	 <u>913,691</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Lease Payable	44,081	51,828
Term Note-Current Portion	10,450	-
Accounts Payable	69,404	98,133
Deferred Revenue	1,645	2,950
Accrued Expenses	391,275	399,405
Long Term liabilities:		
Term Note-Long Term Portion	<u>30,386</u>	<u>-</u>
Total Liabilities	<u>547,241</u>	<u>552,316</u>
 Net Assets:		
Unrestricted	618,364	347,895
Temporarily Restricted	<u>5,510</u>	<u>13,480</u>
Total Net Assets	<u>623,874</u>	<u>361,375</u>
 Total Liabilities and Net Assets	 <u>\$ 1,171,115</u>	 <u>913,691</u>

The accompanying independent auditors' report should be read in conjunction with these financial statements.

**WESTERN NEW YORK MARITIME CHARTER SCHOOL  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2010  
AND JUNE 30, 2009**

	<b>2010</b>	<b>2009</b>
<b>Unrestricted Net Assets:</b>		
<b>Revenue, Gains and Other Support</b>		
Public School District:		
Revenue - Resident Student Enrollment	\$ 3,140,009	3,159,832
- Special Education	575,448	510,009
Contributions	152,549	119,963
Fundraising	8,748	21,405
Other Income	34,986	36,701
Net Assets Released from Restrictions	302,252	345,987
<b>Total Revenue, Gains and Other Support</b>	<b>4,213,992</b>	<b>4,193,897</b>
<b>Expenses</b>		
Program Expenses:		
Regular Education	2,543,364	2,498,568
Special Education	319,327	323,865
Other Program	163,372	189,643
Supporting Services:		
Management and General	911,959	945,095
Total Expenses:	3,938,022	3,957,171
<b>Change in Unrestricted Net Assets</b>	<b>275,970</b>	<b>236,726</b>
<b>Changes in Temporarily Restricted Net Assets</b>		
Federal and State Grants	288,781	345,273
Net Assets Released from Restrictions	(302,252)	(345,987)
<b>Change in Temporarily Restricted Net Assts</b>	<b>(13,471)</b>	<b>(714)</b>
<b>Change in Net Assets</b>	<b>262,499</b>	<b>236,012</b>
Net Assets - Beginning	361,375	125,363
Net Assets - Ending	<b>\$ 623,874</b>	<b>361,375</b>

The accompanying independent auditors' report should be read in conjunction with these financial statements.

**WESTERN NEW YORK MARITIME CHARTER SCHOOL  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2010  
AND JUNE 30, 2009**

	<b>2010</b>	<b>2009</b>
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$ 262,499	236,012
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	145,149	131,843
Loss on disposal of property and equipment	555	-
Increase in receivables	(25,252)	(19,674)
(Increase)/Decrease in prepaid expense and deposits	16,470	(16,742)
Decrease in lease payable	(7,747)	-
Decrease in deferred revenue	(1,305)	(6,505)
Decrease in accounts payable and accrued expenses	(36,859)	(105,488)
Net cash flows provided by operating activities	353,510	219,446
<b>Cash Flows Provided by Investing Activities</b>		
Purchase of property and equipment	(139,107)	(181,391)
Net cash used by investing activities	(139,107)	(181,391)
<b>Cash Flows from Financing Activities</b>		
Decrease in line of credit	-	(95,000)
Proceeds from term note	45,000	-
Repayment of term note	(4,164)	-
Net Cash provided by/(used by) financing activities	40,836	(95,000)
Net Increase in Cash and Cash Equivalents	255,239	(56,945)
Cash and Cash Equivalents - Beginning of Year	29,113	86,058
Cash and Cash Equivalents - End of Year	284,352	29,113
Supplemental disclosures:		
Cash paid for interest:	\$ 13,633	6,391

The accompanying independent auditors' report should be read in conjunction with these financial statements.

**WESTERN NEW YORK MARITIME CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010  
AND JUNE 30, 2009**

**Note 1. Summary of Significant Accounting Policies**

**Organization and Description of Activities**

On January 12, 2004, the Board of Regents of the University of the State of New York granted a five year provisional charter to the Western New York Maritime Charter School (the School) to operate as an education corporation under New York law. On December 16, 2008 the Board of Regents approved the renewal application effective January 12, 2009 through June 30, 2012. Prior to the end of the current renewal, Western New York Maritime Charter School will re-apply to the Board of Regents for a renewal of their charter.

Charter schools receive state and federal public school funding and must meet all the same state and federal testing and learning requirements as public schools, yet they operate independently of the local school district, serving as their own local education agency.

Western New York Maritime Charter School is governed by an eleven member, uncompensated Board of Directors and has 302 students in ninth through twelfth grades.

Western New York Maritime Charter School is a charter member of the U.S. Navy Junior Reserve Officers Training Corps Program.

**Accrual Basis**

The financial statements have been prepared on the accrual basis of accounting.

**Cash and Cash Equivalents**

The School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents which are included as cash in the accompanying financial statements.

At various times, cash and cash equivalents in financial institutions may exceed insured limits and subject the School to concentrations of credit risk.

**Property, Equipment and Leasehold Improvements**

Purchased property and equipment are recorded at cost and depreciation is provided for using the straight-line method over estimated useful lives. Leasehold improvements are capitalized at cost and are being amortized over their estimated useful lives.

Generally, equipment which has a cost in excess of \$500 at the date of acquisition and has an expected useful life of five years is capitalized.

## **Income Taxes**

The School is a 501 (c) (3) organization exempt from taxation under Section 501 (a) of the Internal Revenue Code.

## **Support and Revenue**

The School receives NYS per pupil aid which is passed through the district in which the student resides. Most of the students reside in the Buffalo Public School District. New York State Education Department mandates the rate per pupil. For the year ended June 30, 2010 the per pupil rate was \$10,429 for Buffalo Public School District.

Contributions and grants are reported at fair value at the date the contribution/grant is made. A contribution or grant that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Gifts of goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used, in which case they are recorded as restricted support.

## **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. Estimates and assumptions are made in a variety of areas, including useful lives of long lived assets.

## **Cost Allocation**

The School's costs of providing its various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **Note 2. Fair Value of Financial Instruments**

The carrying amount of cash and cash equivalents, accounts receivable and current liabilities approximates fair value because of the short maturity of these instruments.

**Note 3. Property and Equipment**

Property and equipment consists of the following:

	<u>2010</u>	<u>2009</u>
Leasehold and Land Improvements	\$ 476,018	409,879
Office and Other Equipment	157,742	152,616
Instructional Equipment	<u>583,350</u>	<u>518,008</u>
	1,217,110	1,080,503
Less Accumulated Depreciation	<u>(588,198)</u>	<u>(444,994)</u>
Property and Equipment, Net	<u>\$ 628,912</u>	<u>635,509</u>

Depreciation expense was \$145,149 and \$131,843 in 2010 and 2009 respectively.

**Note 4. Federal and State Grants**

The School has received grants which are subject to audit by agencies of the state and federal government. Such audits may result in disallowances and a request for a return of funds. The School believes that disallowances, if any will not be material.

**Note 5. Line of Credit**

The School has a \$100,000 line of credit with a local bank with interest payable at 1.5% above the bank's prime rate. This is a demand note and substantially all of the School's assets secure the loan. At June 30, 2010 the interest rate was 4.75% and the balance outstanding was \$0.

**Note 6. Term Note**

	<u>Total</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Due, M & T, \$1,068.99 per month including interest at 6.59%, final payment due January 2014	40,836	10,450	30,386
Debt Maturities:			
	6/30/2011		10,450
	6/30/2012		11,159
	6/30/2013		11,917
	6/30/2014		7,310

**Note 7. Temporarily Restricted Net Assets**

At June 30, 2010 and 2009 the School's Temporarily Restricted Net Assets were restricted for the following purposes:

	<u>2010</u>	<u>2009</u>
Sailing Program	\$ 5,000	5,515
Scholarships	510	510
Facilities	-	7,455
	<u>\$ 5,510</u>	<u>13,480</u>

## Note 8. Operating Lease

The School has entered into a lease for its facilities effective April 1, 2005. The lease term is for a fifteen year period expiring March 31, 2020. There are two five year renewal options at escalating rent rates. The lease calls for a security deposit of \$28,833 and a special additional security deposit of \$100,000 by August 1, 2005. The total amount of the deposit at June 30, 2010 is \$63,833, of which \$28,833 is the initial security deposit and \$35,000 is the flexible security deposit.

Pursuant to a Memorandum dated August 7, 2009 between the School and the landlord, the School has released the landlord from its obligation to repay the security deposit in the amount of \$10,000 per year with the first installment due in fiscal year June 30, 2010 without pro rata adjustment until the security deposit is exhausted, in exchange for expanded use of the facility.

The School has agreed to pay for the demolition costs of 290 Genesee Street in the amount of \$25,700. Western New York Maritime Charter School will use the additional space as an athletic field, with the option to erect a gymnasium or similar building as long as the footprint does not decrease the paved parking area currently in use.

The following is a schedule by years of future minimum rental payments required under the operating lease that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2010.

Year ended	6/30/2011	\$	617,953
	6/30/2012		633,402
	6/30/2013		649,234
	6/30/2014		665,472
	6/30/2015		682,107
	Thereafter	\$	3,481,674

The School leases three copiers under the terms of various non-cancelable leases. Rental expense for the year was \$ 7,747.

Minimum annual rentals for each of the remaining years of the lease are:

Year ended	6/30/2011	\$	9,145
	6/30/2012		11,428
	6/30/2013		14,279
	6/30/2014	\$	9,230

## Note 9. Pension Plan

Western New York Maritime Charter School participates in the New York State Teachers' Retirement System (NYSTRS). This system is a cost sharing multiple employer, public employee retirement system. The system offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

The New York State Teachers' Retirement Board administers NYSTRS. The System provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

The System is noncontributory, except for employees who joined the System after July 27, 1976, who contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The charter school is required to contribute at an actuarially determined rate. The School's contributions made to the System were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

2010	\$	114,538
2009	\$	127,446
2008	\$	153,459

**Note 10. Subsequent Events**

Management has evaluated subsequent events through September 22, 2010, the date on which the financial statements were available to be issued.

Supplemental Information

**WESTERN NEW YORK MARITIME CHARTER SCHOOL  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2010**

	Program Services			Supporting Services		Total
	Regular Education	Special Education	Other Program	Management & General		
Salaries	\$ 1,261,052	216,344	90,728	537,741	2,105,865	
Payroll Taxes	108,389	18,595	7,798	46,219	181,001	
Employee Benefits	196,182	33,657	14,115	83,657	327,611	
Instructional Materials	768	-	-	-	768	
Classroom Supplies	8,544	-	-	-	8,544	
Technology	46,912	-	-	-	46,912	
Field Trips	17,626	-	-	-	17,626	
Military Events	12,509	-	-	-	12,509	
Uniforms	32,290	-	-	-	32,290	
Athletic Department	-	-	-	-	-	
Student Services	-	-	-	-	-	
Awards and Scholarships	-	-	-	-	-	
Student Activities	9,498	-	-	-	9,498	
Transportation	7,196	-	-	-	7,196	
Conferences	9,851	-	-	-	9,851	
Food Service	-	-	-	-	-	
Student Testing and Assessment	17,683	-	-	-	17,683	
Staff Development	13,118	-	-	-	13,118	
Consultants	-	-	-	11,912	11,912	
Recruitment	19,106	-	-	-	19,106	
Board Development	-	-	-	-	-	
Dues and Memberships	8,778	-	-	-	8,778	
Occupancy	594,010	37,126	37,126	74,250	742,512	
Insurance	41,897	2,619	2,619	5,236	52,371	
Telephone	2,283	2,283	2,283	15,977	22,826	
Office Supplies and Expense	-	-	-	12,491	12,491	
Postage	2,848	356	356	3,560	7,120	
Printing	746	93	93	932	1,864	
Outside Services	7,959	497	497	995	9,948	
Professional Fees	-	-	-	77,987	77,987	
Fundraising	-	-	-	3,546	3,546	
Miscellaneous	-	-	-	8,307	8,307	
Depreciation	116,119	7,257	7,257	14,516	145,149	
Amortization Expense	8,000	500	500	1,000	10,000	
Interest expense	-	-	-	13,633	13,633	
<b>Total</b>	<b>\$ 2,543,364</b>	<b>319,327</b>	<b>163,372</b>	<b>911,959</b>	<b>3,938,022</b>	

See paragraph on supplemental information included in Auditor's Report.

Supplemental Information

WESTERN NEW YORK MARITIME CHARTER SCHOOL  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2009

	Program Services			Supporting Services		Total
	Regular Education	Special Education	Other Program	Management & General		
Salaries	\$ 1,175,406	212,684	107,950	544,905		2,040,945
Payroll Taxes	102,371	18,523	9,402	47,458		177,754
Employee Benefits	228,572	41,359	20,992	105,963		396,886
Instructional Materials	8,594	-	-	-		8,594
Classroom Supplies	6,823	-	-	-		6,823
Technology	53,212	-	-	-		53,212
Field Trips	947	-	-	-		947
Military Events	12,733	-	-	-		12,733
Uniforms	26,785	-	-	-		26,785
Athletic Department	14,690	-	-	-		14,690
Student Services	1,575	-	-	-		1,575
Awards and Scholarships	10,000	-	-	-		10,000
Student Activities	8,961	-	-	-		8,961
Transportation	9,765	-	-	-		9,765
Conferences	9,046	-	-	-		9,046
Food Service	2,784	-	-	-		2,784
Student Testing and Assessment	2,254	-	-	-		2,254
Staff Development	18,006	-	-	-		18,006
Consultants	4,400	1,100	1,100	38,550		45,150
Recruitment	30,107	-	-	-		30,107
Board Development	150	-	-	-		150
Dues and Memberships	6,083	-	-	-		6,083
Occupancy	592,665	37,042	37,042	74,082		740,831
Insurance	39,070	2,442	2,442	4,883		48,837
Telephone	2,144	2,144	2,144	15,905		21,438
Office Supplies and Expense	-	-	-	15,905		15,905
Postage	2,575	322	322	3,219		6,438
Printing	3,125	391	391	3,907		7,814
Outside Services	20,250	1,266	1,266	2,531		25,313
Professional Fees	-	-	-	63,516		63,516
Fundraising	-	-	-	414		414
Miscellaneous	-	-	-	5,181		5,181
Depreciation	105,475	6,592	6,592	13,184		131,843
Amortization Expense	-	-	-	-		-
Interest expense	-	-	-	6,391		6,391
Total	\$ 2,498,568	323,865	189,643	945,095		3,957,171

See paragraph on supplemental information included in Auditor's Report.