

**THE BRONX CHARTER SCHOOL FOR CHILDREN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Totals for 2009)**

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
The Bronx Charter School for Children

We have audited the accompanying statement of financial position of The Bronx Charter School for Children (the "School") as of June 30, 2010 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. The prior year summarized comparative information has been derived from the School's 2009 financial statements and, in our report dated October 29, 2009, we expressed an unqualified opinion on these financial statements.

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 from 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 audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of The Bronx Charter School for Children as of June 30, 2010 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.

Lederer, Levine & Associates, LLC
Lederer, Levine & Associates, LLC

New York, NY
October 29, 2010

THE BRONX CHARTER SCHOOL FOR CHILDREN
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents (Notes B and F)	\$ 2,521,654	\$ 1,764,728
Contributions receivable (Note C)		55,017
Government grants receivable	201,813	171,327
Prepaid expenses and other	186,534	139,824
Property and equipment, net (Notes B and E)	252,825	293,382
Security deposits	2,030	2,030
Restricted deposit (Note D)	<u>27,404</u>	<u>27,363</u>
TOTAL ASSETS	<u>\$ 3,192,260</u>	<u>\$ 2,453,671</u>
LIABILITIES		
Accrued expenses and other payables	\$ 735,322	\$ 627,489
Deferred revenue	2,566	23,582
Deferred rent payable (Note I)	<u>245,066</u>	<u>107,890</u>
TOTAL LIABILITIES	<u>982,954</u>	<u>758,961</u>
COMMITMENTS AND CONTINGENCIES (Note I)		
NET ASSETS		
Unrestricted	2,105,102	1,626,842
Temporarily restricted (Note H)	<u>104,204</u>	<u>67,868</u>
TOTAL NET ASSETS	<u>2,209,306</u>	<u>1,694,710</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,192,260</u>	<u>\$ 2,453,671</u>

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

THE BRONX CHARTER SCHOOL FOR CHILDREN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Totals for 2009)

	2010		2009
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Revenue - student enrollment	\$ 4,883,566	\$	\$ 4,768,639
Revenue - students with disabilities	416,353		412,278
Government grants	478,306		410,686
Contributions	79,252	186,475	266,788
In kind contributions (Note J)	301,189		357,492
Interest income	10,614		16,203
Other revenue			22,362
Loss on disposal of fixed assets			(8,406)
Net assets released from restrictions	150,139	(150,139)	
	6,319,419	36,336	6,246,042
TOTAL SUPPORT AND REVENUE			
EXPENSES:			
Program services	5,262,614		5,021,824
Management and general	458,882		492,369
Fundraising and development	119,663		85,955
	5,841,159		5,600,148
TOTAL EXPENSES			
Change in net assets	478,260	36,336	645,894
Net Assets - Beginning of Year	1,626,842	67,868	1,048,816
NET ASSETS - END OF YEAR	\$ 2,105,102	\$ 104,204	\$ 1,694,710

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

THE BRONX CHARTER SCHOOL FOR CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Totals for 2009)

	2010			2009
	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 2,646,432	\$ 256,254	\$ 69,893	\$ 2,972,579
Payroll taxes and employee benefits (Note G)	533,470	51,273	17,788	602,531
Total Salaries and Related Costs	3,179,902	307,527	87,681	3,575,110
Professional fees and contracted services	157,978	56,435	4,222	218,635
Occupancy (Note I)	1,233,213	65,893	12,343	1,311,449
Instructional materials	168,017			168,017
Food service	286,877			286,877
Office supplies and expenses	85,140	13,362	11,571	110,073
Telephone	4,249	411	112	4,772
Advertising	6,357	616	168	7,141
Conferences, meetings and travel	18,871	3,232	498	22,601
Insurance	39,662	3,432	893	43,987
Depreciation and amortization	82,348	7,974	2,175	92,497
Total Expenses	\$ 5,262,614	\$ 458,882	\$ 119,663	\$ 5,841,159
				\$ 5,600,148

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

THE BRONX CHARTER SCHOOL FOR CHILDREN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Totals for 2009)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 514,596	\$ 645,894
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	92,497	96,061
Noncash contributions		(84,549)
Loss on disposal of fixed assets		8,406
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	158,339	(142,839)
Government grants receivable	(133,808)	124,779
Prepaid expenses and other	(46,710)	(1,306)
Security deposits		33,750
Increase (decrease) in liabilities:		
Accrued expenses and other payables	107,833	115,355
Deferred revenue	(21,016)	22,990
Deferred rent payable	137,176	107,890
Net Cash Provided by Operating Activities	808,907	926,431
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in restricted deposit	(41)	(80)
Property and equipment acquisitions	(51,940)	(118,885)
Net Cash Used by Investing Activities	(51,981)	(118,965)
NET INCREASE IN CASH AND CASH EQUIVALENTS	756,926	807,466
Cash and cash equivalents - beginning of year	1,764,728	957,262
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,521,654	\$ 1,764,728
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$	\$

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

**THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note A - Organization and Nature of Activities

The Bronx Charter School for Children (the "School") was granted a charter (the "Charter") by the Board of Regents of the State of New York (the "Regents") under the New York Charter Schools Act of 1998. Pursuant to its terms, the Charter is scheduled to expire in June, 2011. The School is a not-for-profit corporation exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code. The School is located in the Bronx, New York.

The School is a public elementary school that provides a rigorous academic curriculum supplemented with opportunities for enrichment, ensuring academic challenge and support to all students. Nurturing the potential of each child is the School's goal. We value the integration of literacy and math skills with all other content areas and encourage active inquiry. We are an educational community of teachers and learners, working together to emphasize the highest standards and levels of achievement, promote positive leadership and healthy choices, and develop resourceful, responsible and thoughtful citizens of tomorrow.

In September 2004, the School was opened to serve 132 students in grades K-1. The School currently serves 396 students in grades K through 5.

Note B - Summary of Significant Accounting Policies

Basis of Accounting

The School follows accounting principles generally accepted in the United States of America ("U.S. GAAP") which include certain specialized requirements set forth in publications of the Financial Accounting Standards Board.

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 29, 2010.

Accounting for Uncertainty in Income Taxes

The School's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

Cash and Cash Equivalents

The School considers all highly liquid investments with a maturity of less than three months to be cash equivalents, except for the restricted deposit account established in accordance with the Charter (see Note D).

Restricted Contributions

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

Note B – Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives. The School capitalizes property and equipment with a useful life of two years or more and a cost of \$500 or more.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Note C – Contributions Receivable

Contributions receivable at June 30, 2009 were all due within one year.

Note D – Restricted Deposit

Pursuant to the Charter, the School is required to maintain a separate escrow account of no less than \$25,000 to pay for certain administrative expenses in the event that the School undergoes a dissolution.

Note E – Property and Equipment

	<u>2010</u>	<u>2009</u>	<u>Estimated Useful Life</u>
Leasehold improvements	\$ 367,268	\$ 346,396	5-10 years
Computer software and equipment	217,902	191,177	3 years
Furniture and equipment	<u>174,489</u>	<u>170,146</u>	3-5 years
	759,659	707,719	
Less: accumulated depreciation and amortization	<u>506,834</u>	<u>414,337</u>	
	<u>\$ 252,825</u>	<u>\$ 293,382</u>	

Depreciation and amortization expense for the years ended June 30, 2010 and 2009 amounted to \$92,496 and \$96,061, respectively.

Note F – Concentrations

The School maintains several bank accounts at banks which are institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. This limit will be in effect through December 31, 2013. At June 30, 2010, the total uninsured cash balance approximated \$2,157,000.

Note G - Pension Plan

The School established a defined contribution pension plan covering all employees. The School matches employee contributions up to a limit of 2% of each participating employee's salary. Pension plan expense amounted to approximately \$41,000 for the year ended June 30, 2010.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(Continued)

Note H - Net Assets

Temporarily restricted net assets at June 30, 2010 consist of the following:

Professional development	\$ 39,556
Strategic planning	25,000
Equipment	20,000
Social worker	15,807
Student books	3,841
	<u>\$ 104,204</u>

Note I - Commitments and Contingencies

1. In May 2004, the School entered into a lease for a building to house the School (the "Original Premises"). The lease expired in July 2009. In August 2007, the School signed a separate lease for additional space added to the Original Premises (the "New Addition") at an annual rent of \$580,000. Upon expiration of the lease for the Original Premises, the annual rent for the Original Premises amounted to \$450,000. The Original Premises was incorporated into the lease of the New Addition with an expiration date of July 2019. Both rents are subject to annual cost of living adjustment escalators up to 3% over the prior year's rent.

Approximate future minimum annual rental commitments under noncancelable rental lease obligations are as follows:

For the years ended June 30, 2011	\$ 1,061,000
2012	1,093,000
2013	1,126,000
2014	1,159,000
2015	1,230,000
Thereafter	5,046,000
	<u>\$ 10,715,000</u>

The School records rent expense on the straight line basis as required under accounting principles generally accepted in the United States of America. Rent expense amounted to approximately \$1,171,000 for the year ended June 30, 2010.

2. The School has entered into two equipment leases which require monthly payments approximating \$1,000.
3. A substantial amount of the School's revenue are from government sources. Revenue and related expenses are subject to audit verification by the funding agencies. Accordingly, any amounts which are determined to be excessive or non-program related would require repayment to such agency. In the opinion of management, any actual disallowance would be immaterial. Adequate reserves for such disallowances have been provided for in the accompanying financial statements.

Note J - In Kind Contributions

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ending June 30, 2010 the School received approximately \$301,000 of donated food and related services (provided by the New York City Department of Education ("NYCDOE")), which are included as revenue and expenses in the accompanying financial statements.

In addition, the NYCDOE provides bus service and certain special education services to the School at no charge. The New York City Department of Health also provides a nurse to the School at no charge. The School also received enrichment program services at no charge.