

**THE BRONX CHARTER SCHOOL FOR CHILDREN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2009
(With Comparative Totals for 2008)**

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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, 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. The prior year summarized comparative information has been derived from the School's 2008 financial statements and, in our report dated October 28, 2008, 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, 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.

Lederer, Levine & Associates, LLC

Lederer, Levine & Associates, LLC

New York, NY
October 29, 2009

**THE BRONX CHARTER SCHOOL FOR CHILDREN
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2009
(With Comparative Totals for 2008)**

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents (Notes B and G)	\$ 1,764,728	\$ 957,262
Contributions receivable (Note C)	158,339	15,500
Government grants receivable	68,005	192,784
Prepaid expenses and other	139,824	138,518
Property and equipment, net (Notes B and E)	293,382	278,964
Security deposits	2,030	35,780
Restricted deposit (Note D)	<u>27,363</u>	<u>27,283</u>
TOTAL ASSETS	\$ <u>2,453,671</u>	\$ <u>1,646,091</u>
LIABILITIES		
Accrued expenses and other payables	\$ 627,489	\$ 512,134
Deferred revenue	23,582	592
Loan payable (Note F)		84,549
Deferred rent payable (Note J)	<u>107,890</u>	<u> </u>
TOTAL LIABILITIES	<u>758,961</u>	<u>597,275</u>
COMMITMENTS AND CONTINGENCIES (Note J)		
NET ASSETS		
Unrestricted	1,626,842	968,634
Temporarily restricted (Note I)	<u>67,868</u>	<u>80,182</u>
TOTAL NET ASSETS	<u>1,694,710</u>	<u>1,048,816</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,453,671</u>	\$ <u>1,646,091</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, 2009
(With Comparative Totals for 2008)

	2009		2008	
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Revenue - student enrollment	\$ 4,768,639	\$	\$ 4,768,639	\$ 3,521,238
Revenue - students with disabilities	412,278		412,278	323,764
Government grants	307,364		307,364	331,195
Contributions	169,771	200,339	370,110	209,178
In kind contributions (Note K)	357,492		357,492	33,321
Interest income	16,203		16,203	27,211
Other revenue	22,362		22,362	10,134
Loss on disposal of fixed assets	(8,406)		(8,406)	
Net assets released from restrictions	212,653	(212,653)		
TOTAL SUPPORT AND REVENUE	<u>6,258,356</u>	<u>(12,314)</u>	<u>6,246,042</u>	<u>4,456,041</u>
EXPENSES:				
Program services	5,021,824		5,021,824	3,480,483
Management and general	492,369		492,369	431,043
Fundraising and development	85,955		85,955	39,983
TOTAL EXPENSES	<u>5,600,148</u>		<u>5,600,148</u>	<u>3,951,509</u>
Change in net assets	658,208	(12,314)	645,894	504,532
Net Assets - Beginning of Year	<u>968,634</u>	<u>80,182</u>	<u>1,048,816</u>	<u>544,284</u>
NET ASSETS - END OF YEAR	<u>\$ 1,626,842</u>	<u>\$ 67,868</u>	<u>\$ 1,694,710</u>	<u>\$ 1,048,816</u>

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, 2009
(With Comparative Totals for 2008)

	2009			2008
	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 2,382,758	\$ 274,070	\$ 51,339	\$ 2,708,167
Payroll taxes and employee benefits (Note H)	486,603	51,590	6,366	544,559
Total Salaries and Related Costs	2,869,361	325,660	57,705	3,252,726
Professional fees and contracted services	264,502	70,571	6,977	342,050
Occupancy (Note J)	1,211,014	64,707	12,121	1,287,842
Instructional materials	146,164			146,164
Food service	286,223			286,223
Office supplies and expenses	83,069	14,406	5,963	103,438
Telephone	14,562	1,675	314	16,551
Advertising	13,477			13,477
Conferences, meetings and travel	16,899	1,944	364	19,207
Insurance	32,034	3,685	690	36,409
Interest expense				
Depreciation and amortization	84,519	9,721	1,821	96,061
Total Expenses	\$ 5,021,824	\$ 492,369	\$ 85,955	\$ 5,600,148
				\$ 3,951,509

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, 2009
(With Comparative Totals for 2008)**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 645,894	\$ 504,532
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	96,061	102,481
Noncash contributions (Note F)	(84,549)	
Deferred rent payable		(142,930)
Loss on disposal of fixed assets	8,406	
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	(142,839)	51,500
Government grants receivable	124,779	(182,187)
Prepaid expenses and other	(1,306)	(58,083)
Security deposits	33,750	(33,750)
Increase (decrease) in liabilities:		
Accrued expenses and other payables	115,355	198,883
Deferred revenue	22,990	(15,114)
Deferred rent payable	107,890	
Net Cash Provided by Operating Activities	926,431	425,332
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in restricted deposit	(80)	(378)
Property and equipment acquisitions	(118,885)	(177,741)
Net Cash Used by Investing Activities	(118,965)	(178,119)
NET INCREASE IN CASH AND CASH EQUIVALENTS	807,466	247,213
Cash and cash equivalents - beginning of year	957,262	710,049
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,764,728	\$ 957,262
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$	\$ 5,914

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

**THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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 prepares its financial statements using the accrual basis of accounting. The School follows accounting principles generally accepted in the United States of America which include certain specialized requirements set forth in publications of the Financial Accounting Standards Board and the American Institute of Certified Public Accountants. These financial statements include the Organization's evaluation of events and transactions occurring from June 30, 2009 to October 29, 2009 (the date that the financial statements were available to be issued).

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.

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.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note B – Summary of Significant Accounting Policies (continued)

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, 2008, from which the summarized information was derived.

Financial Accounting Standards Board (FASB) Interpretation No. 48 – Accounting for Uncertainty in Income Taxes – and Interpretation of FASB Statement No. 109 (FIN 48)

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. On November 7, 2007, the FASB voted to defer FIN 48 for one year until fiscal years beginning after December 15, 2007. On October 15, 2008, the FASB voted to continue the deferral of FIN 48, for non-public companies and not-for-profits, for an additional year until fiscal years beginning after December 15, 2008.

As FIN 48 has not yet been adopted, the School is continuing to use FASB Statement No. 5, *Accounting for Contingencies* ("FASB 5") to evaluate uncertain tax positions. The School believes there would be no impact of adopting FIN 48 on the financial statements.

Fair Value Measurements

SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157") defines fair value, establishes a framework for measuring fair value and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value. SFAS No. 157 also expands financial statement disclosures about fair value measurements. On February 12, 2008, the FASB issued FSP FAS 157-2, *Effective Date of FASB Statement No. 157* ("FSP 157-2"), which delays the effective date of SFAS No. 157 for one year for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. A partial deferral of SFAS No. 157 was elected under the provisions of FSP 157-2 related to the measurement of fair value used when evaluating intangible assets and other long-lived assets for impairment and valuing asset retirement obligations and liabilities for exit or disposal activities. Furthermore, the impact of implementing FSP 157-2 is not expected to be material on the financial statements. Partially adopting SFAS No. 157 effective January 1, 2008 had no impact on the financial statements.

On October 10, 2008, the FASB issued FSP 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* ("FSP 157-3"), which clarifies application of SFAS No. 157 in a market that is not active. FSP 157-3 was effective upon issuance, including prior periods for which financial statements have not been issued. The adoption of this FSP had no impact on the financial statements.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note B – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements on a Recurring Basis

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Our assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

Fair Value Measurements on a Nonrecurring Basis

As permitted by FSP 157-2, the fair value measurement disclosure was deferred for any (a) long-lived assets and finite-lived intangible assets in the determination of impairment under SFAS No. 42 or SFAS No. 144, (b) asset retirement obligations initially measured at fair value under SFAS No. 143, *Accounting for Asset Retirement Obligations*, and c) nonfinancial liabilities for exit or disposal activities initially measured at fair value under SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*.

SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of SFAS No. 115* (“SFAS No. 159”), permits but does not require the measurement of financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected would be reported in earnings. As the School did not elect to fair value any of our financial instruments under the provisions of SFAS No. 159, the adoption of this statement effective January 1, 2008 did not have an impact on the financial statements.

Note C – Contributions Receivable

Contributions receivable at June 30, 2009 are 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>2009</u>	<u>2008</u>	<u>Estimated Useful Life</u>
Leasehold improvements	\$ 346,396	\$ 309,308	5-10 years
Computer software and equipment	191,177	145,192	3 years
Furniture and equipment	<u>170,146</u>	<u>146,333</u>	3-5 years
	707,719	600,833	
Less: accumulated depreciation and amortization	<u>414,337</u>	<u>321,869</u>	
	<u>\$ 293,382</u>	<u>\$ 278,964</u>	

Depreciation and amortization expense for the years ended June 30, 2009 and 2008 amounted to \$96,061 and \$102,481, respectively.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note F – Loan Payable

- 1) During the fiscal year ending June 30, 2005, the School obtained a loan from a corporation (the "lender"). The loan required semi-annual payments of interest only until August 1, 2006. Commencing November 1, 2006, the School began to make equal quarterly payments of \$9,168, which includes interest at 6.00% per annum. This loan was to mature on August 1, 2009. The total outstanding principal of the loan was \$84,549 as of June 30, 2008.

During the year ended June 30, 2007, the Lender agreed to convert the loan into a challenge grant. Under the terms of the grant, the loan would be forgiven at the rate of one dollar (\$1) for every two dollars raised during the "match period" over the average annual amount of the School's public support from January 1, 2005 to December 31, 2006. The Match Period ran from January 1, 2008 through December 31, 2008. The School met the match, and the loan was forgiven.

- 2) The School has a line of credit from a not-for-profit lending organization in the amount of \$180,000. The interest rate is prime plus one percent. At June 30, 2009 and October 29, 2009, there was no outstanding balance on this line of credit.

The line of credit has been extended until June 1, 2010.

Note G - Concentrations

The School maintains several bank accounts at a bank which is an institution 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, 2009, the total uninsured cash balance approximated \$1,183,000.

Note H – 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 \$37,000 for the year ended June 30, 2009.

Note I – Net Assets

Temporarily restricted net assets at June 30, 2009 were restricted as follows:

Purpose restrictions	\$ 12,851
Time restrictions	<u>55,017</u>
	<u>\$ 67,868</u>

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note J - Commitments and Contingencies

1. In May 2004, the School entered into a lease for a building to house the school. The lease was to expire in July 2009. In August 2007, the School signed a modification of the lease which called for the landlord to add approximately 14,000 square feet of space (the "New Addition") to the existing building at an annual rent of \$580,000. The modification also extended the lease term to July 2019. Upon the expiration of the original lease, the annual rent for the original space will amount to \$450,000. 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:

2010	\$ 1,047,000
2011	1,065,000
2012	1,084,000
2013	1,102,000
2014	1,122,000
Thereafter	<u>5,728,000</u>
	<u>\$11,148,000</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 \$1,128,000 for the year ended June 30, 2009.

In August 2008, the School also signed a lease for additional space for the 2008-2009 school year. The annual rental for this space amounted to \$114,000. The lease expired in August 2009.

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 K – Contributions In-Kind

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, 2009 the School received approximately \$357,000 of donated materials and services, which are included in the accompanying financial statements.

In addition, the New York City Board of Education 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.