

**EVERGREEN CHARTER SCHOOL**

**Financial Statements  
For the years ended  
June 30, 2011  
and  
June 30, 2010**

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**CONDON  
O'MEARA  
MCGINTY &  
DONNELLY LLP**

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**Independent Auditors' Report**

To the Board of Trustees of  
Evergreen Charter School

We have audited the accompanying statement of financial position of Evergreen Charter School (the "School") as of June 30, 2011 and June 30, 2010 and the related statements of activities, functional expenses 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 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 Evergreen Charter School at June 30, 2011 and June 30, 2010 and the results of its activities and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Condon O'Meara McGinty & Donnelly LLP*

November 1, 2011

**EVERGREEN CHARTER SCHOOL**

**Statements of Financial Position**

**Assets**

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>Current assets</b>		
Cash	\$ 144,036	\$ 65,811
Government contracts receivable	131,237	157,410
Other receivables	24,077	71,378
Prepaid expenses	54,399	-
Total current assets	353,749	294,599
<b>Property and equipment, at cost, net</b>	461,356	262,455
<b>Total assets</b>	<b>\$ 815,105</b>	<b>\$ 557,054</b>

**Liabilities and Net Assets**

Accounts payable	\$ 9,891	\$ 76,860
Accrued expenses	257,884	200,690
Due to related party	58,717	180,680
Total liabilities	326,492	458,230
<b>Unrestricted net assets</b>	488,613	98,824
<b>Total liabilities and net assets</b>	<b>\$ 815,105</b>	<b>\$ 557,054</b>

See notes to financial statements.

**EVERGREEN CHARTER SCHOOL**

**Statements of Activities**

	<b>For the Year Ended June 30</b>	
	<u>2011</u>	<u>2010</u>
<b>Support and revenue</b>		
Public School District		
Revenue – resident student enrollment	\$ 2,750,604	\$ 1,663,447
State grants	86,363	191,725
Federal grants	162,434	363,262
Other	<u>24,714</u>	<u>7,676</u>
Total support and revenue	<u>3,024,115</u>	<u>2,226,110</u>
<b>Expenses</b>		
Program services		
Regular education	2,284,273	1,651,550
Supporting services		
Management and general	<u>415,053</u>	<u>365,794</u>
Total expenses	<u>2,699,326</u>	<u>2,017,344</u>
<b>Increase in unrestricted net assets     before non-operating revenue</b>	324,789	108,766
Non-operating revenue – capital	<u>65,000</u>	<u>100,000</u>
<b>Increase in unrestricted net assets</b>	<b>389,789</b>	<b>208,766</b>
<b>Unrestricted net assets (deficit), beginning of year</b>	<u>98,824</u>	<u>(109,942)</u>
<b>Unrestricted net assets, end of year</b>	<u>\$ 488,613</u>	<u>\$ 98,824</u>

See notes to financial statements.

**EVERGREEN CHARTER SCHOOL**

**Statements of Functional Expenses  
For the years ended June 30, 2011 and June 30, 2010**

	2011			2010		
	Program Services	Supporting Services Management and General	Total	Program Services	Supporting Services Management and General	Total
	Regular Education	General		Regular Education	General	
Salaries and wages	\$ 1,059,221	\$ 266,842	\$ 1,326,063	\$ 733,044	\$ 220,103	\$ 953,147
Payroll taxes and fringe benefits	231,386	56,071	287,457	137,593	45,865	183,458
Professional fees	13,607	18,803	32,410	38,606	32,343	70,949
Consultants – education	19,389	-	19,389	109,047	-	109,047
Contracted services – management company	-	-	-	8,600	-	8,600
Contracted services – other	21,689	-	21,689	432	4,974	5,406
Equipment rental/lease	8,277	2,315	10,592	-	-	-
Food	44,816	-	44,816	15,172	1,686	16,858
Insurance	28,097	7,853	35,950	18,930	996	19,926
Library	-	-	-	581	-	581
Maintenance and repairs	21,297	5,952	27,249	62,098	3,268	65,366
Occupancy	493,754	25,987	519,741	269,310	29,923	299,233
Printing	498	-	498	5,875	309	6,184
Supplies and materials	112,212	2,854	115,066	176,945	9,313	186,258
Other expenses	61,756	-	61,756	19,985	3,527	23,512
Staff development	12,589	-	12,589	18,766	988	19,754
Telephone	9,901	2,767	12,668	408	7,757	8,165
Transportation (student)	8,855	-	8,855	2,847	-	2,847
Travel	-	-	-	145	145	290
Utilities	55,819	2,938	58,757	13,951	2,462	16,413
Depreciations and amortization	81,110	22,671	103,781	19,215	2,135	21,350
<b>Total</b>	<b>\$ 2,284,273</b>	<b>\$ 415,053</b>	<b>\$ 2,699,326</b>	<b>\$ 1,651,550</b>	<b>\$ 365,794</b>	<b>\$ 2,017,344</b>

See notes to financial statements.

## EVERGREEN CHARTER SCHOOL

## Statements of Cash Flows

	For the Year Ended June 30	
	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 389,789	\$ 208,766
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	103,781	21,350
(Increase) decrease in assets		
Government contracts receivable	26,173	(157,410)
Other receivables	47,301	(71,378)
Prepaid expenses	(54,399)	-
Increase (decrease) in liabilities		
Accounts payable	(66,969)	(33,082)
Accrued expenses	57,194	200,690
Due to related party	(121,963)	180,680
Net cash provided by operating activities	<u>380,907</u>	<u>349,616</u>
<b>Cash flows from investing activities</b>		
Purchase of furniture and equipment	(191,000)	(183,805)
Purchase of leasehold improvements	<u>(111,682)</u>	<u>(100,000)</u>
Net cash (used in) investing activities	<u>(302,682)</u>	<u>(283,805)</u>
<b>Net increase in cash</b>	<b>78,225</b>	<b>65,811</b>
<b>Cash, beginning of year</b>	<u>65,811</u>	<u>-</u>
<b>Cash, end of year</b>	<u>\$ 144,036</u>	<u>\$ 65,811</u>

See notes to financial statements.

**EVERGREEN CHARTER SCHOOL****Notes to Financial Statements  
June 30, 2011 and June 30, 2010****Note 1 – Nature of organization and summary of accounting policies**Nature of organization

The Evergreen Charter School (the “School”) is a New York State nonprofit corporation. The School’s primary goal is to nurture the intellectual, physical and social development of children, through a comprehensive program that promotes academic excellence and prepares its students for success in school and in life.

Basis of presentation

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Accounting Standards for, *Financial Statements of Not-for-Profit Organizations*. Accordingly, the net assets of the School are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted assets, and (c) permanently restricted assets.

Net assets of the restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or donor-restricted contributions whose restrictions are met in the same accounting period, are reported as part of the unrestricted class.

As of June 30, 2011 and June 30, 2010, the School has no temporarily or permanently restricted net assets.

FundingEducation program

This program is funded through various contracts with the New York State Department of Education and through tuition based upon a per pupil allocation from the school districts in which the students are enrolled.

Allowance for doubtful accounts

As of June 30, 2011 and June 30, 2010, the School’s management has determined that there are no potentially uncollectible receivables and thus, an allowance for doubtful accounts is not necessary. Such estimate is based on management’s experience, the aging of the receivables, subsequent receipts and current economic conditions.

**EVERGREEN CHARTER SCHOOL****Notes to Financial Statements (continued)  
June 30, 2011 and June 30, 2010****Note 1 – Nature of organization and summary of accounting policies (continued)****Property and equipment**

Leasehold improvements and furniture and equipment are recorded at cost. Leasehold improvements are amortized over the lease term of 5 years. Furniture and equipment is being depreciated on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 5 years.

**Revenue**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All other revenue sources, including government grants and program service fees, are recorded as revenue when earned.

For grants restricted for property and equipment purchases without express grantor stipulation as to how or how long the property and equipment must be used, it is the School's policy to classify the grant revenue as unrestricted non-operating revenue in the year of the purchases and depreciate the property and equipment over their useful lives.

**Volunteer services**

A number of volunteers have donated time to the School. While these contributed services are important in assisting the School in carrying out its operations, they do not meet the accounting standards criteria for recording in the accompanying statements of activities.

**Functional expenses and allocations**

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated between the program and supporting services benefited.

**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 amounts reported in the financial statements. Actual results could differ from these estimates.

**EVERGREEN CHARTER SCHOOL**

**Notes to Financial Statements (continued)  
June 30, 2011 and June 30, 2010**

**Note 1 – Nature of organization and summary of accounting policies (continued)**

Concentration of credit risk

The School's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and receivables. The School places its cash with what it believes to be quality financial institutions. The School has not experienced any losses in such accounts to date. The School's receivables consists principally of amounts due from government contracts. The School's management monitors its cash and the collectibility of its receivables. The School believes no significant concentration of credit risk exists with respect to its cash and receivables.

Subsequent events

The School has evaluated events and transactions for potential recognition or disclosure through November 1, 2011, which is the date the financial statements were available to be issued.

Reclassification

Certain items in the 2010 financial statements have been reclassified for comparative purposes only.

**Note 2 – Accounts receivable – government contracts**

Reimbursements under government contracts are subject to audits by the various government agencies. The effects of any potential audit disallowances for the majority of the contracts have not been recognized in these financial statements. Management is of the opinion that any disallowances will not be material to these financial statements.

**Note 3 – Property and equipment**

A summary of the property and equipment as of June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 211,682	\$ 100,000
Furniture and equipment	<u>374,805</u>	<u>183,805</u>
Sub-total	586,487	283,805
Less: accumulated depreciation and amortization	<u>125,131</u>	<u>21,350</u>
Total	<u>\$ 461,356</u>	<u>\$ 262,455</u>

**EVERGREEN CHARTER SCHOOL**

**Notes to Financial Statements (continued)  
June 30, 2011 and June 30, 2010**

**Note 4 – Commitments**

In January 2010, the School entered into a 5-year lease agreement for space for its facility. As of June 30, 2011, annual future payments under the lease agreement are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 504,024
2013	519,144
2014	534,714
2015	<u>293,917</u>
Total	<u>\$ 1,851,799</u>

Rent expense totaled to \$489,342 and \$220,968 for the years ended June 30, 2011 and June 30, 2010, respectively.

**Note 5 – Retirement plan**

The School sponsors a non-contributory 403(b) plan that covers all eligible employees. An eligible employee can defer a portion of his/her compensation not to exceed limits set by the Internal Revenue Code for a 403(b) plan.

**Note 6 – Related party transactions**

The Chairman of the Board of Trustees of the School is the Executive Director of Circulo de la Hispanidad (the "Agency"), a not-for-profit organization. During the 2011 and 2010 fiscal years, the School reimbursed the Agency approximately \$153,000 and \$475,000, respectively, for expenses incurred by the Agency relating to the School's start up costs, including capital expenditures (leasehold improvements for the building of a gym and furniture and equipment), repairs and maintenance, professional services, supplies, insurance, etc. In addition, in January 2010, the School entered into a five-year lease agreement with the Agency (see note 4) to rent space. The rent expense for fiscal 2011 and 2010 was approximately \$489,342 and \$220,968, respectively.

**Note 7 – Tax status**

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the School has been determined by the Internal Revenue Service to be a publicly supported organization and not a private foundation within the meaning of Section 509(a)(1). As of June 30, 2011, no amounts have been recognized for uncertain income tax positions. The School's tax returns for the 2009 fiscal year and forward are subject to the usual review by the appropriate authorities.