

**FAMILY LIFE ACADEMY CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
TOGETHER WITH THE INDEPENDENT
AUDITORS' REPORTS AND SUPPLEMENTAL
INFORMATION**

FEDERAL IDENTIFICATION NUMBER 13-4170389

**FAMILY LIFE ACADEMY CHARTER SCHOOL
FOR THE YEAR ENDED JUNE 30, 2008
TABLE OF CONTENTS**

	<u>Page No.</u>
Independent Auditors' Report	3
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flow	6
Statement of Functional Expenses	7
Notes to Financial Statements	8
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	 13

Independent Auditors' Report

Board of Directors
Family Life Academy Charter School
140 West 170th Street
Bronx, New York 10452

We have audited the accompanying statement of financial position of Family Life Academy Charter School (the "school") as of June 30, 2008 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the school's management. Our responsibility is to express our opinion on these financial statements based on audit.

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 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 audit provides 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 Family Life Academy Charter School as of June 30, 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 November 10, 2008 on our consideration of Family Life Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 should be considered in assessing the results of our audit.


R.D. PATEL & COMPANY

Monroe, New Jersey
November 10, 2008

**FAMILY LIFE ACADEMY CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008**

ASSETS

Current Assets:

Cash & Cash Equivalents	\$ 467,940
Investment (Note 3)	379,031
Prepaid Expenses (Note 4)	<u>26,500</u>
Total Current Assets	873,471

Fixed assets (at cost \$1,366,875) net of accumulated depreciation and amortization of \$1,151,670 (Note 5)	<u>215,205</u>
TOTAL ASSETS	<u><u>1,088,676</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	19,835
Vacation Accrual	<u>40,861</u>
Total Current Liabilities	60,696

Net Assets:

Unrestricted net assets	
Operations (deficit)	812,775
Fixed assets	<u>215,205</u>
Total Unrestricted net assets	1,027,980
Temporarily restricted net assets	-
Permanently restricted net assets	<u>-</u>
Total Net Assets	1,027,980

TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>1,088,676</u></u>
---	-----------------------------------

See accompanying notes to the financial statements

**FAMILY LIFE ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operations	Fixed Assets	Total			
<u>SUPPORT AND REVENUE:</u>						
Student Enrollment	\$ 3,284,360		\$ 3,284,360			\$ 3,284,360
Federal Grants	203,332		203,332			203,332
State Grants	96,503		96,503			96,503
City Grants	8,000		8,000			8,000
Public Support	500		500			500
Contributed Services			-			-
Interest Income	13,504		13,504			13,504
Other Income	7,778		7,778			7,778
TOTAL SUPPORT AND REVENUE	3,613,977	-	3,613,977	-	-	3,613,977
<u>EXPENSES:</u>						
Program services:						
Educational Services	3,015,928	176,264	3,192,192	13,000		3,205,192
Support services:						
Management and general	480,797	58,755	539,552			539,552
TOTAL EXPENSES	3,496,725	235,019	3,731,744	13,000	-	3,744,744
Change in net assets	117,253	(235,019)	(117,766)	(13,000)	-	(130,766)
Net assets, July 1, 2007	491,899	450,224	942,123	13,000	-	955,123
Other Changes:						
Prior Period Adjustment - (Note 11)	203,623	-	203,623	-	-	203,623
Accrued Expenses & Accounts Payable						
NET ASSETS, JUNE 30, 2008	\$ 812,775	\$ 215,205	\$ 1,027,980	\$ -	\$ -	\$ 1,027,980

See accompanying notes to the financial statements

**FAMILY LIFE ACADEMY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008**

Cash flows from operating activities:

Change in net assets	\$ 72,857
Depreciation and amortization	235,019
Decrease in grants receivable	155,917
(Increase) in Fees receivable	-
(Decrease) in prepaid expenses	6,180
(Decrease) in accounts payable and accrued expenses	(143,138)
(Decrease) in Accrued Payroll and Payroll Taxes	(214,385)
Increase in Vacation Accrual	40,861

	153,311
--	----------------

Cash flows from investing activities:

Write-off of Abandoned Assets	-
-------------------------------	---

Cash (used) for investing activities	-
---	----------

Cash flows from financing activities:

Cash (used) for financing activities	-
---	----------

Net Increase in Cash, Cash Equivalents & Investment	153,311
--	----------------

Cash, Cash Equivalents & Investment- July 1, 2007	693,660
---	---------

Cash, Cash Equivalents & Investment- June 30, 2008	\$ 846,971
--	-------------------

See accompanying notes to the financial statements

**FAMILY LIFE ACADEMY CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>PROGRAM SERVICES</u>		<u>SUPPORT SERVICES</u>		Total
	<u>Educational Services</u>		<u>Management and General</u>		
Salaries	\$	1,788,223	\$	235,478	\$ 2,023,700
Payroll taxes and fringe benefits		420,574		51,984	472,558
		<u>2,208,797</u>		<u>287,462</u>	<u>2,496,259</u>
Professional Fees		-		37,736	37,736
Rent		238,500		79,500	318,000
Telephone		2,220		740	2,960
Consultants		20,806		-	20,806
Contracted Services		78,473		-	78,473
Food		139,508		-	139,508
Insurance		37,539		14,506	52,045
Printing & Publications		3,424		1,142	4,566
Travel & Meetings		13,411		-	13,411
Repairs and Maintenance		17,735		-	17,735
Educational Materials		160,986		-	160,986
Equipment & Supplies		36,170		51,253	87,423
Equipment Rental		14,362		4,787	19,149
Donated Services		-		-	-
Advertising		2,404		801	3,205
Depreciation and Amortization		176,264		58,755	235,019
Staff Development		3,700		-	3,700
Website Design		600		-	600
Assessment & Evaluation		18,630		-	18,630
Field Trips and Activities		20,013		-	20,013
Postage		2,814		-	2,814
Misc.		8,836		2,870	11,706
		<u>8,836</u>		<u>2,870</u>	<u>11,706</u>
Total expenses	\$	<u>3,205,192</u>	\$	<u>539,552</u>	\$ <u>3,744,744</u>

See accompanying notes to the financial statements

**FAMILY LIFE ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1. ORGANIZATION:

Nature of Activities:

The Family Life Academy Charter School (the "School") is a Charter School incorporated pursuant to the New York Charter School Act of 1998. The School, a bilingual/immersion school in a predominately Latino Community in the South Bronx, seeks to empower New York City English language learners in grades Kindergarten through grade 5 to achieve high standards in both English and Spanish, help them take responsibility for their own learning, and encourage them to explore and affirm human values.

The School was granted its Charter by the Board of Regents of the University of the State of New York on May 14, 2001, and began classes in September 2001. The initial charter expired on June 30, 2006. On July 1, 2006, the School received a two-year renewal of its charter, which will expire on June 30, 2008. On May 19, 2008, the School received renewal of its charter, which will expire on June 29, 2013.

The School receives a substantial amount of funding for student enrollment from the New York City Department of Education.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation and Contribution:

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," Family Life Academy Charter 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. In addition, Family Life Academy Charter School is required to present a statement of cash flows.

Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). In preparing financial statements in conformity with GAAP, management must make estimate based on future events that affect the reported amounts of assets.

Support and Revenues:

Unrestricted:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the support is recognized.

**FAMILY LIFE ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily Restricted:

Amounts received that are designed for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Family Life Academy Charter School has no temporarily restricted net assets.

Permanently Restricted:

Amounts received that are to be held in perpetuity are reported as permanently restricted support that increases that net assets class. Family Life Academy Charter School has no permanently restricted net assets.

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 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.

Fixed Assets:

Fixed assets acquired by Family Life Academy Charter School are considered to be owned by Family Life Academy Charter School. However, the funding sources may maintain an equitable interest in the assets as well as the determination of the use of any proceeds from the sale of these assets acquired with their funding.

Family Life Academy Charter School follows the practice of capitalizing all assets acquisitions in excess of \$1,000. Depreciation is computed on a straight-line basis over the estimated service lives on the assets generally as follows:

Recognition of Revenue:

Tuition and fees received for future years are deferred to the applicable year and are shown as deferred revenue on the statement of financial position.

**FAMILY LIFE ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES: (CONTINUED)

Cash and Cash Equivalents:

The School considers highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents. As of June 30, 2008 cash in bank consisted amount to \$467,940.

Tax-Exempt Status:

The School is a nonprofit organization exempt from Federal income taxes under the provisions of Section 501 (c) (3) of the Internal Revenue Code and, therefore, has made no provisions for Federal income taxes in the accompanying financial statements. In addition, Family Life Academy Charter School has been determined by the Internal Revenue Services not to be a "private foundation" within the meaning of Section 509 (a)(1) of the Code.

Functional Allocation of Expenses:

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

NOTE 3. INVESTMENT:

The School has one (1) Certificate of Deposit at Ponce De Leon, which will mature on December 22, 2011 and is currently accruing 5.13% interest. As of June 30, 2008 the balance at the bank is \$379,031.

NOTE 4. PREPAID EXPENSE:

As of June 30, 2008 prepaid expense consisted of:

Latino Pastoral Action Center	\$26,500 – Space Rent July 2008
-------------------------------	---------------------------------

NOTE 5. FIXED ASSETS:

As of June 30, 2008 fixed assets consist of:

Furniture and fixtures (Straight Line 7 Years)	\$ 393,770
Leasehold Improvement (Life of Lease)	<u>973,105</u>
	\$ 1,366,875*
Less: accumulated depreciation and amortization	<u>(1,151,670)</u>
Fixed Assets (Net)	<u>\$ 215,205</u>

* This balance is based on prior auditor's report dated October 5, 2007.

**FAMILY LIFE ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 6. RELATED PARTY TRANSACTIONS:

The School was established by and is operated with the assistance of The Latino Pastoral Action Center (LPAC). The President of LPAC is a member of the Board of the School and husband of Ms. Callo, school principal. In addition, classrooms and office facilities of the School are leased from LPAC (see Note 8).

NOTE 7. RETIREMENT PLAN:

The School has a Simple IRA plan for all eligible employees that is predominantly funded by employees' contributions. The School matches employees' contributions up to 3% of their annual salary. Pension expense for the year ended June 30, 2008 \$29,711.

NOTE 8. COMMITMENTS AND CONTINGENCIES:

1 The School is obligated under an operating lease with LPAC for the rental of classrooms and office space. The lease was entered into on July 1, 2001 for a term of five years. The lease carries renewal options and grants the School an option to extend the initial term of the lease for an additional five years.

During 2004, the School agreed to rent additional space from LPAC for three new classrooms, a small office, and the use of the gymnasium and multi purpose room at a total cost of \$21,667 per month. The rider to the lease is effective July 1, 2004 to June 30, 2006.

During 2006, the School renewed its operating lease for an additional two-year period effective from July 1, 2006 to June 30, 2008 for a total cost of \$25,000 and \$26,500 per month for the annual lease periods ending June 30, 2007 and 2008, respectively.

During November 2008, the school was in process of renewing lease for additional five years ending June 30, 2013 for the total cost of \$33,333 per month.

The minimum annual commitments under the lease obligation are as follows:

<u>Year Ending</u>	<u>Amount</u>
2009	400,000
2010	424,000
2011	449,440
2012	476,406
2013	504,991

Rent expense totaled \$318,000 for the year ended June 30, 2008

**FAMILY LIFE ACADEMY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 8. COMMITMENTS AND CONTINGENCIES (CONTINUED):

2 The School leases two office copy machines each under five-year non-cancelable operating leases with one effective December 2003 and the other in June 2005.

The minimum annual commitments under the lease obligations are as follows:

<u>Year Ending</u>	<u>Amount</u>
2009	\$17,269
2010	<u>10,780</u>
	\$ 28,049

3 The School is subject to audits from various funding organizations that support its programs. The grants are subject to adjustments for disallowed costs, if any, based upon the results of the audits.

NOTE 9. CONCENTRATION OF CREDIT RISK:

1 Financial instruments that potentially subject the School to concentrations of credit risk consist principally of cash accounts in financial institutions, which from time to time exceed the Federal Depository Insurance Coverage (FDIC) limit of \$100,000 during the fiscal year ending June 30, 2008.

2 Concentration of risk exists between the School and the New York City Department of Education, from which the School receives a substantial amount of its funding for student enrollment.

NOTE 10. PAYROLL TAXES:

We reviewed quarterly payroll tax returns filed for the period July 1, 2007 to June 30, 2008. The quarterly payroll tax returns appear to have been properly prepared and the taxes due paid in a timely manner.

NOTE 11. PRIOD PERIOD ADJUSTMENT

There were discrepancies of accrued expenses, accounts payable and net asset balances between prior auditor's report and that of its books of account as of June 30, 2007; consequently, we are making a prior period adjustment of \$203,623.

**REPORT ON INTERNAL CONTROL OVER INANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS.**

Board of Directors
Family Life Academy Charter School
14 West 170th Street
Bronx, New York 10452

We have audited the financial statements of Family Life Academy Charter School (the "school") as of and for the year ended June 30, 2008, and have issued our report thereon dated November 10, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Family Life Academy Charter 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 Family Life Academy Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization'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 organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization'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 will not be prevented or detected by the organization'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.

R.D. PATEL & COMPANY

Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family Life Academy Charter School's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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*.

This report is intended solely for the information and use of the audit committee, management and Board of Family Life Academy Charter School) 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.



R.D. PATEL & COMPANY

Monroe, New Jersey
November 10, 2008