

GRAND CONCOURSE ACADEMY
CHARTER SCHOOL

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2008

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GRAND CONCOURSE ACADEMY CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Grand Concourse Academy Charter School

We have audited the accompanying statement of financial position of Grand Concourse Academy Charter School as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for 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.

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 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 present fairly, in all material respects, the financial position of Grand Concourse Academy Charter School as of June 30, 2008, and the results of its operations and its cash flows for the year 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 October 24, 2008 on our consideration of Grand Concourse Academy 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 should be considered in assessing the results of our audit.

Koch Group & Company, LLP

Certified Public Accountants

New York, New York
October 24, 2008

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2008

ASSETS

CURRENT ASSETS

| | |
|------------------------------|---------------|
| Cash | \$ 33,540 |
| Due from government agencies | 237,593 |
| Prepaid expenses | 62,958 |
| Security deposits | <u>68,082</u> |

Total Current Assets 402,173

FIXED ASSETS, at cost, less accumulated depreciation 746,746

Total Assets \$ 1,148,919

LIABILITIES AND NET ASSETS

LIABILITIES

| | |
|---------------------------|---------------|
| Accounts payable | \$ 53,551 |
| Accrued expenses | 295,885 |
| Due to management company | 168,232 |
| Unearned income | <u>30,719</u> |

Total Liabilities 548,387

NET ASSETS - UNRESTRICTED 600,532

Total Liabilities and Net Assets \$ 1,148,919

See notes to financial statements.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

UNRESTRICTED NET ASSETS

PUBLIC SUPPORT AND REVENUE

| | |
|----------------------------------|--------------|
| Resident student enrollment | \$ 3,758,578 |
| Food subsidy | 152,996 |
| Government funding | 694,686 |
| Interest income | 6,420 |
| Other income | 10,750 |
| | <hr/> |
| Total Public Support and Revenue | 4,623,430 |

EXPENSES

| | |
|------------------------|-----------|
| Program Expenses | |
| Regular education | 3,782,375 |
| Supporting Services | |
| Management and general | 556,493 |
| | <hr/> |
| Total Expenses | 4,338,868 |

CHANGE IN NET ASSETS

284,562

NET ASSETS

| | |
|-------------------|------------|
| Beginning of year | 315,970 |
| | <hr/> |
| End of year | \$ 600,532 |

See notes to financial statements.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2008

| | <u>Regular Education</u> | <u>Management & General</u> | <u>Total</u> |
|--|------------------------------|-------------------------------------|---------------------|
| <u>Personnel Expenses</u> | | | |
| Salaries and wages | \$ 1,995,424 | \$ - | \$ 1,995,424 |
| Payroll taxes | 157,952 | | 157,952 |
| Fringe benefits | 249,399 | | 249,399 |
| Total Personnel Expenses | <u>2,402,775</u> | <u>-</u> | <u>2,402,775</u> |
| <u>Operating Expenses</u> | | | |
| Contracted services - financial & administrative | | 543,793 | 543,793 |
| Contracted services - other | 44,152 | | 44,152 |
| Food | 163,831 | | 163,831 |
| Insurance | 32,674 | | 32,674 |
| Supplies & materials | 67,205 | | 67,205 |
| Textbooks | 94,920 | | 94,920 |
| Postage & shipping | 3,292 | | 3,292 |
| Advertising | 2,989 | | 2,989 |
| Repairs | 51,380 | | 51,380 |
| Maintenance & security | 96,794 | | 96,794 |
| Accounting/auditing fees | | 12,700 | 12,700 |
| Administrative | 15,664 | | 15,664 |
| Payroll service fee | 4,047 | | 4,047 |
| Staff development | 27,974 | | 27,974 |
| Student testing | 11,484 | | 11,484 |
| Occupancy | 422,303 | | 422,303 |
| Utilities | 73,730 | | 73,730 |
| Telephone | 28,475 | | 28,475 |
| Depreciation | 228,061 | | 228,061 |
| Other expenses | 10,625 | | 10,625 |
| Total Operating Expenses | <u>1,379,600</u> | <u>556,493</u> | <u>1,936,093</u> |
| TOTAL EXPENSES | <u>\$ 3,782,375</u> | <u>\$ 556,493</u> | <u>\$ 4,338,868</u> |

See notes to financial statements.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2008

| | |
|---|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Increase in Net Assets | \$ 284,562 |
| ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Depreciation | 228,061 |
| Changes in Assets and Liabilities | |
| Due from government agencies | (96,488) |
| Prepaid expenses | (24,214) |
| Due to management company | 166,392 |
| Unearned income | 30,311 |
| Accounts payable | 40,627 |
| Accrued expenses | <u>29,425</u> |
| Net Cash Provided by Operating Activities | <u>658,676</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Acquisition of fixed assets | (679,162) |
| Construction in progress | <u>37,314</u> |
| Net Cash Used in Investing Activities | <u>(641,848)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 16,828 |
| CASH AND CASH EQUIVALENTS | |
| Beginning of year | <u>16,712</u> |
| End of year | <u><u>\$ 33,540</u></u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | |
| Cash Paid for Interest | <u><u>\$ -</u></u> |

See notes to financial statements.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

1. Organization

Grand Concourse Academy Charter School (“The School”) is a public charter school for children in grades kindergarten through fifth grade located in The Bronx, New York. The goal of the School, which was chartered in May 2004, is to offer students a high quality public education on a nondiscriminatory and secular basis. Grand Concourse Academy Charter School is a 501 (c) 3 tax exempted organization.

2. Summary of Significant Accounting Policies

a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis under which revenues are recognized when earned and expenses are recorded when incurred. Accordingly, all significant receivables, payables, and other liabilities are reflected.

b) Financial Statement Presentation

Financial statement presentation follows the recommendations of SFAS No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the School is required to report its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. SFAS No. 117 further requires the implementation of provisions of SFAS No. 95, Statement of Cash Flows to be extended to not-for-profit organizations.

The School’s net assets consist of:

Unrestricted – Net assets of the School which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the School.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

2. Summary of Significant Accounting Policies (Continued)

c) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited based on actual costs associated with the activity.

d) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

e) Contributions

The School complies with the provisions of SFAS No. 116, Accounting for Contributions Received and Contributions Made. Accordingly, the School records contributions of cash and other assets as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The School records contributions as temporarily restricted support if they are received with donor stipulations that limit its use through purpose or time restrictions. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. All contributions received in the year ended June 30, 2008 were unrestricted.

f) Cash and Cash Equivalents

The School maintains a cash balance at one bank. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to a total of \$100,000.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

2. Summary of Significant Accounting Policies (Continued)

f) Cash and Cash Equivalents (Continued)

For purposes of the statement of cash flows, the School considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

g) Property and Equipment

The School follows the practice of capitalizing all expenditures for property, furniture, fixtures and office equipment in excess of five hundred dollars. Depreciation is provided by the straight-line method over the estimated useful lives of the respective assets.

3. Pupil Enrollment and Other Revenues From Government Agencies

Under the Charter School Agreement and the Charter Schools Act, the School is entitled to receive funding from governmental sources that are available to public schools. The calculation of the amounts to be paid to the School under these programs is determined by the State, and is based on complex laws and regulations, enrollment levels, and economic information related to the home school districts of the children enrolled in the School. If these regulations, some of which are relatively new in the State of New York, were to change, or other factors included in the calculations were to change, the level of funding that the School received could vary significantly.

The amounts are based upon actual amounts received as well as estimates by the management based upon the best information available at the time. However, actual amounts received, as determined by the funding source, could vary based on changes in the factors used to calculate the amounts owed.

In addition the school received government funding and grants as follows:

| | |
|---------------------------|------------------|
| Federal | \$281,551 |
| New York State | 388,683 |
| Student with Disabilities | <u>24,452</u> |
| | <u>\$694,686</u> |

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

4. Fixed Assets

At June 30, 2008, fixed assets consisted of the following:

| | | Estimated Useful <u>Life</u> |
|--------------------------------|-------------------|------------------------------------|
| Leasehold improvements | \$ 705,642 | 5 years |
| Furniture, fixtures | 194,713 | 7 years |
| Computer equipment | 172,878 | 5 years |
| Office equipment | <u>67,194</u> | 5-7 years |
| | 1,140,427 | |
| Less: Accumulated depreciation | <u>(393,681)</u> | |
| Total | <u>\$ 746,746</u> | |

5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of amounts due to vendors and for payroll earned by the staff during the school year but paid out over the summer months.

6. Defined Contribution Plan

The School offers a 401(k) plan (the "Plan") for substantially all of its employees. Employees are eligible for the plan immediately upon employment and participation in the plan is voluntary. Employees can make pretax contributions up to a maximum of 100% of their annual compensation, subject to IRS restrictions. The School matches the employee contribution up to 4% of the employee's annual compensation. The employer contribution recognized in the statement of activities was \$46,823 for the year ended June 30, 2008. Such plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the Plans' participants and beneficiaries.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

7. Commitments

The School is a lessee under operating leases, principally for space and utilities used for classroom instruction and administration activities, expiring through 2012.

Future minimum lease payments are as follows:

| | |
|------|------------|
| 2009 | \$ 441,057 |
| 2010 | 126,721 |
| 2011 | 102,528 |
| 2012 | 98,274 |

Victory Schools, Inc. ("Victory") provides financial and certain administrative services under an agreement entered into by the School and Victory. Victory does not play a role in the School's educational activities.

In providing the above, Victory is paid a service fee in the amount equal to total full-time equivalent enrollment of students multiplied by \$1,637 on yearly basis. As of June 30, 2008 unpaid service fees of \$168,232 are included in due to management company.

Victory is entitled to receive the fees on a bi-monthly basis. Any fee not paid within 30 days of its due date bears interest at an annualized rate of 15% per annum on the outstanding past due amount, except if Victory's acts or omissions cause such late payment.

Service fee expense for the year ended June 30, 2008 was \$543,793.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

8. Contingency

The School participates in a number of federal and state programs. These programs require that the School comply with certain requirements of laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.



KOCH GROUP & COMPANY, LLP

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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

To the Board of Trustees of
Grand Concourse Academy Charter School

We have audited the financial statements of Grand Concourse Academy Charter School as of and for the year ended June 30, 2008, and have issued a report thereon dated October 24, 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 States.

Internal Control Over Financial Reporting

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

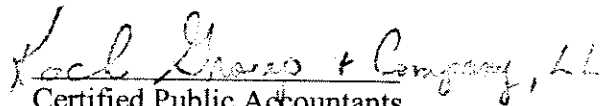
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grand Concourse Academy Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 management, the audit committee, other within the entity, and the Department of Housing and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

New York, New York
October 24, 2008