

STAMM & BADER
Certified Public Accountants

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October 21, 2008

To the Board of Trustees
Harlem Link Charter School
134 West 122nd Street
New York, NY 10027

We have performed the procedures identified below, which were agreed to by the management and the Harlem Link Charter School and the SUNY Trustees/Charter Schools Institute solely to assist the specified parties in evaluating the school's assertion to the SUNY Trustees/Charter Schools Institute that it has financial controls in place for transactions relating to the following:

- a. Preparing financial statements in accordance with generally accepted accounting procedures; and
- b. Payroll procedures; and
- c. Accounting for contributions and grants; and
- d. Procedures for the creation and review of quarterly financial statements, which procedures shall specifically identify the individual who will be responsible for preparing such financial statements; and
- e. Appropriate internal financial controls and procedures.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The Sufficiency of these procedures is solely the responsibility of the specific users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Harlem Link Charter School

The procedures we performed and the related findings are as follows:

Procedure #1:

We obtained a copy of the financial practices of the School and read it to ascertain whether it included accounting procedures for the preparation of the School's financial statements in conformity with generally accepted accounting principles for not-for-profit organizations.

We observed that Harlem Link Charter School is adhering to all generally accepted accounting procedures on an accrual system.

Procedure #2:

We read the financial practices to ascertain whether it included payroll procedures for the School and to determine whether the School has hired an outside vendor to process the payroll.

We observed that Harlem Link Charter School is using an outside vendor to process the payroll as well as adhering to all required procedures.

Procedure #3:

Read the financial practices to ascertain whether it includes procedures for accounting for contributions and grants.

We observed that Harlem Link Charter School has procedures for the receipt of contributions and gifts within the scope of its mission, goals and annual plans.

Procedure #4:

Read the available trial balance and documentation supporting cash receipts, cash disbursements and payroll expenses on a sample basis to observe the status of implementation of the accounting procedures.

We observed that we have reviewed all available trial balances and have observed supporting cash receipts, cash disbursements and payroll expenses on a sample basis and they confirm to the accounting procedures in place

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Harlem Link Charter School

Procedure #5:

Identify and interview the persons(s) responsible for financial management of the school regarding the existence of procedures for the creation of quarterly financial reports and review of management reports.

The person(s) responsible for the financial management for the school are the school directors as well as the Board of Trustee Treasurer. An interview with these persons noted that procedures exist for all financial statement requirements.

Procedure #6:

Interview the person(s) responsible for the financial management of the school regarding the existence of appropriate internal financial controls and procedures, including procedures related to ensuring that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported.

The School Directors interviewed represented that they are responsible for appropriate internal financial controls and procedures. We have test-checked these procedures and state that they are appropriate. All assets seem safeguarded against unauthorized or improper use. We have reviewed that all transactions are properly recorded and reported.

This report is intended solely for the use of the Harlem Link Charter School and the SUNY Trustees/Charter Schools, and is not intended to be and should not be used by anyone other than the specified parties.

Very truly yours,



Stamm & Bader CPA

DHS:sl

cc: Ms. Maureen Murphy
Charter Schools Institute

HARLEM LINK CHARTER SCHOOL

FINANCIAL STATEMENTS

June 30, 2008

Stamm & Bader, CPA
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October 22, 2008

The Directors of
Harlem Link Charter School
134 West 122nd Street
New York, New York 10033

We have audited the accompanying statement of financial position of Harlem Link Charter School as of June 30, 2008 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Harlem Link Charter School's management.

Our responsibility is to express an opinion on these financial statements based on our audit.

We have 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 misstatements. 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 referred to above, present fairly, in all material respects, the financial position of Harlem Link Charter School as of June 30, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2008 on our consideration of Harlem Link Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Very truly yours,

Stamm & Bader

Stamm & Bader, CPA

**HARLEM LINK CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
YEAR ENDED JUNE 30, 2008**

ASSETS

Cash & Cash Equivalents (Note 3)	\$ 914,745	
Accounts Receivable (Note 2)	185,066	<u>185,066</u>
Total Current Assets		1,099,811
Equipment, Furniture & Fixtures -		
Net of Accumulated Depreciation of \$ 67,072 (Note 2)	95,229	
Prepaid Expenses	6,263	<u>6,263</u>
TOTAL ASSETS		<u>\$ 1,201,303</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable	\$ 75,954	
Due to Office of School Food & Nutrition Services	1,565	<u>77,519</u>

Net Assets

Unrestricted Year End 6-30-07	1,075,073	
Increase/(Decrease) in Net Assets 6-30-08	48,711	<u>1,123,784</u>

TOTAL LIABILITIES AND NET ASSETS		<u>\$ 1,201,303</u>
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See notes to financial statements

**HARLEM LINK CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

CHANGES IN UNRESTRICTED NET ASSETS

Revenue

General Operating Programs -Per Pupil Aid	\$ 2,217,001
Special Education Services	209,465
Title I A & D Income	109,501
Title II A	13,524
Title V A Income	606
Individuals w/Disabilities Education Act (IDEA)	15,442
Forest Services	17,500
Dept of Youth & Community Dev. Grant	19,400
Corporation Grants	27,886
Foundation Grants	123,000
Grants - Individual	86,028
Miscellaneous	469

Total Revenues & Other Support

2,839,822

Expenses

Program Services - Unrestricted	2,118,618
Special Education	275,704
Management & Administrative - Unrestricted	442,058

Total Unrestricted Expenses 2,836,380

Increase in Unrestricted Net Assets 3,442

Loss on Sales of Investments/Securities (1,007)

Dividend Income 4,481

Interest Income 41,795

Increase in Net Assets before Unrealized Investment Losses **48,711**

Net Unrealized Investment Losses (Notes 5 & 6) **(300,000)**

Net Assets after Unrealized Losses **(251,289)**

Net Assets - 7-01-07 1,075,073

Net Assets, End of Year **\$ 823,784**

See notes to financial statements

**HARLEM LINK CHARTER SCHOOL
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008**

Cash Flows from Operating Activities

Increase/(Decrease) in Net Assets	\$ 48,711
Adjustments to Reconcile Increase in Total Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	33,432
(Increase)/Decrease in Accounts Receivable	(87,287)
(Increase)/Decrease in Prepaid Expenses	(4,855)
Increase/Decrease in Tax Payable	(1,291)
Increase/(Decrease) in Due to Office of School Food	(35)
Increase/(Decrease) in Due to NYC Dept. of Ed.	(11,200)
Increase/(Decrease) in Accounts Payable	<u>75,954</u>

Net Cash Used by Operating Activities 53,429

Investing Activities

Purchase of Equipment & Fixed Assets (19,871)

Net Increase/(Decrease) in Cash 33,558

Cash, Beginning of Year 881,187

Cash, End of Year \$ 914,745

See notes to financial statements

**HARLEM LINK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

Note 1: Nature of Activities

In June of 2004, the State University of New York approved the application for the Harlem Link Charter School, and in September of 2004, the New York State Board of Regents incorporated the School by also approving the Charter. The School accepted children beginning in September 2005.

For enrollment purposes, the School has a full time equivalent total of 210 children attending grades kindergarten thru 3rd grade in the fiscal year ending June 30, 2008. The School expanded to 4th grade in September 2008. The purpose of the School is to graduate articulate scholars and active citizens.

As of September 1, 2008 the school is located in two locations.:

Kindergarten thru 1st Grades

425 West 130th Street, New York, NY

2nd thru 4th Grades:

134 West 122nd Street, New York, NY

Note 2: Summary of Accounting Policies

a) The financial statements have been prepared on the accrual basis.

b) Accounts Receivable

The accounts receivable of June 30 consists of the following:

DYCD	\$ 15,881
NYC Center for Charter School Excellence	\$ 13,000
Per Pupil Allocation	<u>\$ 156,185</u>
Total	<u><u>\$ 185,066</u></u>

c) Computer & Computer Equipment

Computer & computer equipment is stated at cost at date of acquisition.

d) Depreciation

Depreciation on the computer and computer equipment, owned by the School, have been compiled using the straight-line method. The estimated useful lives of the assets are five to ten years.

e) Income Tax

The Charter School is tax-exempt under section 501 (C) (3) of the Internal Revenue Code as a School, and as such, is deemed to be a public charity, rather than a public foundation.

Note 3: Cash & Cash Equivalents

Bank Funds - Bank of America		\$	151,744
Investment Securities Account - Bank of America	\$ 756,257		
Minus: Unrealized Loss on Investment (Notes 5 & 6)	<u>\$ 300,000</u>		
		\$	456,257
Petty Cash		\$	2,745
Transit Checks		\$	<u>3,999</u>
		\$	<u>614,745</u>

Note 4: Other

Harlem Link Charter School, as a New York City Public School, received benefits for its students from the City of New York including: Food Services, Custodial Services, Pupil Transportation, Committee of Special Education Evaluations and Services, School Safety, and a Department of Health Nurse.

Note 5: Unrealized Investment Losses

Harlem Link Charter School invested \$300,000 in Brazos Tex Higher Education Authority Bonds during this fiscal year. These are auction rate securities that are sold through a specific protocol. This entire class of security became illiquid in vast quantities as the auctions began to fail. The School continued to gain interest income but the auctions to buy/sell these bonds were frozen. Management has advised us that Banks reached agreement with the State Treasuries to buy back these classes of bonds from investors. As of this statement, there hasn't been any resolution. We must therefore, reflect this loss as an unrealized loss, since the School still possesses these bonds with an unknown market value.

See Note 6

Note 6: Subsequent Event

On October 20, 2008, we were informed from the Bank of America Investment Services, Inc. that Brazos Tex Higher Education Authority Bonds were redeemed at par value (\$ 300,000) on October 10, 2008. This \$300,000 was reinstated into The Harlem Link Charter School investment account.

HARLEM LINK CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2008

	<u>Program Services</u>	<u>Special Education</u>	<u>Management and Administration</u>	<u>Total Expenses</u>
Unrestricted Expenses:				
Salaries	\$ 1,545,959	\$ 231,344	\$ 215,396	\$ 1,992,699
Consultants		2,056		2,056
Payroll Taxes and Employee Benefits	283,781	21,379	34,114	339,274
Total Salaries and Related Costs	1,829,740	254,779	249,510	2,334,029
Accounting & Legal			21,608	21,608
ADP Expenses			2,323	2,323
Bookkeeping			37,269	37,269
Contract Services	50,000	12,740		62,740
Depreciation (Note 2)			33,432	33,432
Dues & Subscriptions			4,102	4,102
Fees	6,577	500		7,077
Food Hospitality Services	12,224	1,005		13,229
Fundraising Expenses			8,301	8,301
Instructional Materials	41,496	1,050		42,546
Insurance			29,192	29,192
Marketing			4,475	4,475
Miscellaneous	10,464		2,050	12,514
Office Supplies			37,292	37,292
Postage & Delivery			4,234	4,234
Professional Development	120,699	2,050		122,749
Rent			5,786	5,786
Supplies	47,418	3,580		50,998
Telephone			2,484	2,484
Total Expenses - Unrestricted	288,878	20,925	192,548	502,351
Total Expenses	\$ 2,118,618	\$ 275,704	\$ 442,058	\$ 2,836,380

See notes to financial statements