

HARLEM VILLAGE ACADEMY
CHARTER SCHOOL
(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2008

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HARLEM VILLAGE ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
FINANCIAL STATEMENTS
JUNE 30, 2008

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OCT 30 2008

CHARTER SCHOOLS INST. OF
1100 N. WASHINGTON ST. SUITE 1000
WASHINGTON, DC 20004

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REPORT OF INDEPENDENT AUDITORS'

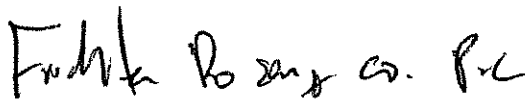
TO THE BOARD OF TRUSTEES
HARLEM VILLAGE ACADEMY CHARTER SCHOOL

We have audited the accompanying statement of financial position of Harlem Village Academy Charter School (a not-for-profit corporation) as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Harlem Village Academy Charter 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 referred to above present fairly, in all material respects, the financial position of Harlem Village Academy Charter School as of June 30, 2008, and the changes in its net assets and 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 September 12, 2008 on our consideration of Harlem Village 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on 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 read in conjunction with this report in considering the results of our audit.



FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
September 12, 2008

HARLEM VILLAGE ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2008

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 888,036
Grants receivable	12,108
Prepaid expenses	21,914
Due from related parties	<u>25,329</u>
Total current assets	947,387
Property and equipment, net of accumulated Depreciation and amortization of \$169,347	<u>150,307</u>
TOTAL ASSETS	<u>\$ 1,097,694</u>

LIABILITIES AND UNRESTRICTED NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ 271,695
Accrued payroll	237,237
Deferred revenue	<u>35,996</u>
Total current liabilities	544,928
Unrestricted net assets	<u>552,766</u>
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	<u>\$ 1,097,694</u>

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

HARLEM VILLAGE ACADEMY CHARTER SCHOOL
 (A Not-For-Profit Corporation)
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2008

Revenue and support:	
State and local per pupil operating revenue	\$ 2,718,314
Federal grants	144,612
State and city	79,033
Interest	<u>17,910</u>
Total revenue and support	<u>2,959,869</u>
Expenses:	
Program services-	
Regular education	2,186,566
Special education	143,302
Other programs	259,136
Management and general	<u>162,020</u>
Total expenses	<u>2,751,024</u>
Change in unrestricted net assets	208,845
Unrestricted net assets – beginning of year	<u>343,921</u>
Unrestricted net assets - end of year	<u>\$ 552,766</u>

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

HARLEM VILLAGE ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 208,845
Adjustments to reconcile changes in unrestricted net assets provided by operating activities:	
Depreciation and amortization	56,281
Loss on facility development	97,463
Changes in certain assets and liabilities:	
(Increase) in grants receivable	(10,800)
Decrease in prepaid expenses	5,332
(Increase) in due from related parties	(9,997)
Increase in accounts payable and accrued expenses	207,040
Increase in accrued payroll	45,879
(Decrease) in deferred revenue	<u>(11,254)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	588,789
CASH FLOW FROM INVESTING ACTIVITY	
Purchase of property and equipment	<u>(128,178)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	460,611
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>427,425</u>
CASH AND CASH EQUIVALENTS END OF YEAR	<u>\$ 888,036</u>

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

HARLEM VILLAGE ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Harlem Village Academy Charter School (the "School") is a New York State, not-for-profit corporation that was incorporated on September 13, 2002 to operate a Charter School pursuant to Article 56 of the Education Law of the State of New York. The Organization is dedicated to providing a high quality college preparatory education to primarily disadvantaged students. Classes commenced in East Harlem, New York, in September 2003 and the School presently provides education to approximately 225 students in grades five to nine.

The Board of Trustees of the State University of New York originally approved the application for the school on September 13, 2002. During the 2007-2008 school year the School applied for, and received, a five year extension of its charter. The school will continue to apply for renewals as needed, consistent with standard New York charter school practice.

Tax Status

The School is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in section 170(b)(1)(A)(ii).

Basis of Presentation

Financial statement presentation follows the requirements of Statement of Financial Accounting Standards ("SFAS") No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the 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. The net assets classifications are described as follows:

Unrestricted

Net assets of the School whose use has not been restricted by an outside grantor or by law. They are available for any use in carrying out the operations of the Organization.

HARLEM VILLAGE ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (continued)

Temporarily Restricted

Net assets of the School whose use has been limited by grantor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the School. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets, as net assets released from restrictions.

Permanently Restricted

Net assets of the School whose use has been permanently limited by grantor-imposed restrictions. Such assets include contributions required to be invested in perpetuity, the income from which is available to support charitable purposes designated by the grantors.

The School has no temporarily or permanently restricted net assets.

Contributions are recognized when the donor makes a Promise to Give to the Organization that is, in substance, unconditional. Grants and other contributions of cash are reported as temporarily restricted support if they are received with grantor stipulations.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Donated Services

Volunteers have made contributions of their time to develop the School programs. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

HARLEM VILLAGE ACADEMY CHARTER SCHOOL
 (A Not-For-Profit Corporation)
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2008

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Purchased property and equipment are recorded at cost. Maintenance and repairs are expensed as incurred. Depreciation and amortization is provided on the straight line method over the estimated useful lives as follows:

Equipment	5 years
Furniture and Fixtures	7 years
Software	3 years
Leasehold Improvements	useful life or related lease

Concentration of Credit Risk

The School places its cash in what it believes to be credit-worthy financial institutions. However, cash balances exceeded FDIC insured levels at various times during the year.

NOTE 2 - GRANTS RECEIVABLE

Grants receivable consisted of federal entitlements. The School anticipates the receivable being collected before June 30, 2009.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2008:

Equipment	\$ 190,512
Furniture and fixture	94,340
Software	13,124
Leasehold improvements	<u>21,678</u>
	319,654
Less: accumulated depreciation and amortization	<u>169,347</u>
	<u>\$ 150,307</u>

Depreciation and amortization expense was \$56,281 for the year ended June 30, 2008.

HARLEM VILLAGE ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 - RELATED PARTY TRANSACTIONS

The School is an affiliate of Village Academies Network, Inc. (the "Network"), a New York State not-for-profit corporation. The Network supports the School by providing educational and operating materials, training, financial support and other services. Prior to the School's inception, the Network received and disbursed funding for start up costs associated with the School.

For operational efficiency and purchasing power, the school shares certain expenses with the Network and a charter school related by common management. At June 30, 2008, the balance due from the related charter school was \$3,926. At June 30, 2008, the balance due from the Network was \$21,403.

NOTE 5 - REVENUE CONCENTRATION

The School receives a substantial portion of its support and revenue from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

NOTE 6 - FUNCTIONAL ALLOCATION OF EXPENSE

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

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INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

TO THE BOARD OF TRUSTEES
HARLEM VILLAGE ACADEMY CHARTER SCHOOL

Our report on our audit of the basic financial statements of Harlem Village Academy Charter School (a not-for-profit corporation) for June 30, 2008, appears on Page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Fruchter Rosen & Co. P.C.

FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
September 12, 2007

HARLEM VILLAGE ACADEMY CHARTER SCHOOL
(A Not-For-Profit Corporation)
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

	Program Services			Total Program Service	Management and General	Total
	Regular Education	Special Education	Supplemental Education			
Salaries and Benefits	\$ 1,670,541	\$ 92,738	\$ 170,142	\$ 1,933,421	\$ 113,890	\$ 2,047,311
Consultants	-	35,394	-	35,394	2,736	38,130
Contracted Services - Temp	2,768	154	282	3,204	189	3,393
Auditing Fees	-	-	-	-	10,000	10,000
Legal Fees	-	-	-	-	169	169
Books and Curriculum Materials	171,517	-	10,583	182,100	-	182,100
Student Recruiting and Marketing	1,700	-	-	1,700	-	1,700
Student Testing	5,491	-	-	5,491	-	5,491
Staff Development	10,062	-	-	10,062	-	10,062
Field Trips	-	-	34,460	34,460	-	34,460
After School Activities	-	-	13,464	13,464	-	13,464
Food Service	4,933	-	-	4,933	2,822	7,755
Supplies and Materials	86,872	2,476	6,804	96,152	13,430	109,582
Printing and Postage	24,452	1,357	2,490	28,299	1,668	29,967
Insurance	22,306	1,238	2,272	25,816	1,521	27,337
Telephone and Communication	12,957	719	1,320	14,996	883	15,879
Security	238	-	-	238	-	238
Equipment Rental and Maintenance	1,472	82	150	1,704	100	1,804
Depreciation and Amortization	45,924	2,549	4,677	53,150	3,131	56,281
Miscellaneous	6,531	-	392	6,923	3,382	10,305
Startup and Facility Development	118,802	6,595	12,100	137,497	8,099	145,596
	<u>\$ 2,186,566</u>	<u>\$ 143,302</u>	<u>\$ 259,136</u>	<u>\$ 2,589,004</u>	<u>\$ 162,020</u>	<u>\$ 2,751,024</u>

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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
HARLEM VILLAGE ACADEMY CHARTER SCHOOL

We have audited the financial statements of Harlem Village Academy Charter School ("the School") as of and for the year ended June 30, 2008, and have issued our report thereon dated September 12, 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 the 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 School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 School'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 School's financial statements that is more than inconsequential will not be prevented or detected by the School'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 School'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.

TO THE BOARD OF TRUSTEES OF
HARLEM VILLAGE ACADEMY CHARTER SCHOOL

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The 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*.

We noted certain matters that were reported to the management of the School in a separate letter dated September 12, 2008.

This report is intended solely for the information and use of management, the audit committee, Board of Trustees, and 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.

Fruchter Rosen Co. P.C.

FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
September 12, 2008