

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

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10/30/08

FRUCHTER ROSEN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF INDEPENDENT AUDITORS'

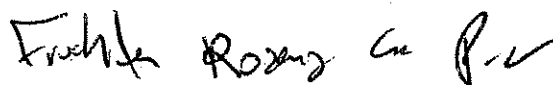
TO THE BOARD OF TRUSTEES  
LEADERSHIP VILLAGE ACADEMY CHARTER SCHOOL

We have audited the accompanying statements of financial position of Leadership 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 Leadership 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 Leadership 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 Leadership 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. 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

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

ASSETS

Current assets:	
Cash and cash equivalents	\$ 809,212
Grants receivable	9,312
Other receivables	1,608
Prepaid expenses	17,321
Due from related parties	<u>8,994</u>
Total current assets	846,447
Property and equipment, net of accumulated depreciation and amortization of \$47,907	<u>61,216</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 907,663</u></b>

LIABILITIES AND UNRESTRICTED NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ 155,378
Accrued payroll	167,915
Deferred revenue	<u>23,943</u>
Total current liabilities	347,236
Unrestricted net assets	<u>560,427</u>
<b>TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS</b>	<b><u>\$ 907,663</u></b>

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

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

Revenue and support:	
State and local per pupil operating revenue	\$ 1,772,293
Federal grants	103,760
State, city, other	37,399
Interest	<u>15,276</u>
 Total revenue and support	 <u>1,928,728</u>
Expenses:	
Program services:	
Regular education	1,428,560
Special education	77,030
Other programs	102,211
Management and general	<u>84,694</u>
 Total expenses	 <u>1,692,495</u>
 Change in unrestricted net assets	 236,233
 Unrestricted net assets – beginning of year	 <u>324,194</u>
 Unrestricted net assets – end of year	 <u>\$ 560,427</u>

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

LEADERSHIP 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	\$ 236,233
Adjustments to reconcile changes in unrestricted net assets provided by operating activities:	
Depreciation and amortization	18,958
Changes in certain assets and liabilities:	
(Increase) in prepaid expense	(2,937)
(Increase) in other receivables	(1,608)
Decrease in grants receivable	33,161
(Increase) in due from related parties	(20,720)
Increase in accounts payable and accrued expenses	104,363
Increase in accrued payroll	68,912
(Decrease) in deferred revenue	<u>(5,973)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 430,389
CASH FLOWS FROM INVESTING ACTIVITY:	
Purchase of property and equipment	<u>(50,058)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 380,331
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>428,881</u>
 CASH AND CASH EQUIVALENTS – END OF YEAR	 <u>\$ 809,212</u>

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

LEADERSHIP 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

Leadership Village Academy Charter School (the "School") is a New York State, Not-For-Profit corporation and 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 2005 and the Organization presently provides education to approximately 155 students in grades five to seven.

On August 1, 2005 the School entered into multi-year agreement to share space with a New York City public school for the school term beginning in September 2005. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services other than security related to the school's programs that take place outside the district's school day. In July 2008, the School moved to a new location, where it shares space with a different New York City public school. The terms of the agreement are the same as it had with its old space.

The Board of Trustees of the State University of New York originally approved the application for the school on September 13, 2002. On March 20, 2007, the State University of Trustees granted the school a short-term planning year renewal for a period of three years, extending the charter through the end of the 2009-2010 school year. The School expects to 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. These net assets classifications are described as follows:

LEADERSHIP 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)

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 School.

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 School 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's 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.

LEADERSHIP 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 consists of federal, state and city entitlements and grants. The School anticipates the receivable being collected before June 30, 2009.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2008:

Software	\$ 3,999
Computer equipment	94,285
Leasehold Improvements	<u>10,839</u>
	109,123
Less: accumulated depreciation and amortization	<u>47,907</u>
	<u>\$ 61,216</u>

Depreciation and amortization expense was \$18,958 for the year ended June 30, 2008.

NOTE 4 - RELATED PARTIES 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. During the start up phase of the school, the Network received and disbursed funding for start up costs associated with the School.

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

NOTE 4 - RELATED PARTIES TRANSACTIONS (Continued)

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 to the related charter school was \$3,926. At June 30, 2008, the balance due from Network was \$12,920.

NOTE 5 - REVENUE CONCENTRATION

The School receives a substantial portion of its support and revenue under a program from The New York City Department of Education. If this program 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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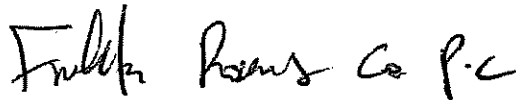
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INDEPENDENT AUDITORS' REPORT  
ON ADDITIONAL INFORMATION

TO THE BOARD OF TRUSTEES  
LEADERSHIP VILLAGE ACADEMY CHARTER SCHOOL

Our report on our audit of the basic financial statements of Leadership 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 & COMPANY, P.C.  
Certified Public Accountants

New York, New York  
September 12, 2008

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

	Program Services			Total Program Service	Management and General	Total
	Regular Education	Special Education	Supplemental Education			
Salaries and Benefits	\$ 1,151,243	\$ 70,762	\$ 47,052	\$ 1,269,057	\$ 54,970	\$ 1,324,027
Consultants – Management and Finance	-	-	-	-	10,268	10,268
Startup and Facility Development	16,324	-	-	16,324	-	16,324
Auditing Fees	-	-	-	-	10,000	10,000
Legal Fees	-	-	-	-	165	165
Books and Curriculum Materials	100,625	-	8,857	109,482	-	109,482
Student Recruiting and Marketing	3,695	-	-	3,695	-	3,695
Student Testing	1,423	-	-	1,423	-	1,423
Staff Development	6,907	-	-	6,907	-	6,907
Field trips	-	-	36,468	36,468	-	36,468
After School Activities	-	-	5,550	5,550	-	5,550
Supplies and Materials	28,567	-	-	28,567	3,415	31,982
Printing and Postage	16,137	992	660	17,789	771	18,560
Insurance	21,514	1,322	879	23,715	1,027	24,742
Telephone and Communication	9,703	596	397	10,696	463	11,159
Equipment and Maintenance	38,155	2,345	1,560	42,060	1,822	43,882
Depreciation	16,484	1,013	674	18,171	787	18,958
Food Service	2,043	-	-	2,043	865	2,908
Temporary Personnel	6,522	-	-	6,522	-	6,522
Miscellaneous	9,218	-	114	9,332	141	9,473
	<u>\$ 1,428,560</u>	<u>\$ 77,030</u>	<u>\$ 102,211</u>	<u>\$ 1,607,801</u>	<u>\$ 84,694</u>	<u>\$ 1,692,495</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  
LEADERSHIP VILLAGE ACADEMY CHARTER SCHOOL

We have audited the financial statements of Leadership Village Academy Charter School ("the School") as of and for the year ended June 30, 2008, and have issued our report thereon dated June 30, 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  
LEADERSHIP 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 June 30, 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