

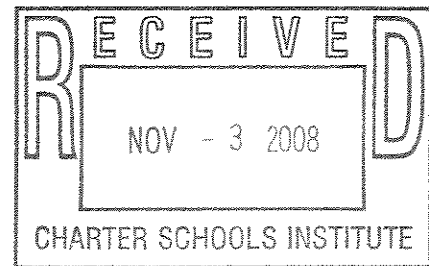
Amato, Fox & Company, PC

Tapestry Charter School

FINANCIAL STATEMENTS

Years Ended June 30, 2008 and 2007

(With Independent Auditor's Report Thereon)



*Amato
Fox*

Certified Public Accountants

TAPESTRY CHARTER SCHOOL
FINANCIAL STATEMENTS
Years Ended June 30, 2008 and 2007
(With Independent Auditor's Report Thereon)

TAPESTRY CHARTER SCHOOL

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Amato, Fox & Company, PC

Certified Public Accountants

*Amato
Fox*

The Board of Directors
Tapestry Charter School
Buffalo, New York

We have audited the accompanying statements of financial position of Tapestry Charter School (a nonprofit organization) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Tapestry Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit 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 audits provide 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 Tapestry Charter School as of June 30, 2008 and 2007, 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 October 24, 2008, on our consideration of Tapestry 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 audits.

Amato, Fox & Company, P.C.

October 24, 2008

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TAPESTRY CHARTER SCHOOL
Statements of Financial Position
June 30, 2008 and 2007

	2008	2007
<u>Assets</u>		
Current assets:		
Cash	\$ 45,745	\$ 187,790
Accounts receivable	138,350	184,222
Prepaid expenses	35,373	42,762
Total current assets	219,468	414,774
Property and equipment , net of accumulated depreciation of \$373,243 in 2008 and \$262,503 in 2007	775,430	715,963
Other assets:		
Construction in progress	344,059	-
Building deposit	67,600	-
Security deposit	11,250	11,250
Total assets	\$ 1,417,807	\$ 1,141,987
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Note payable	\$ -	\$ 50,000
Revolving lines of credit	11,473	14,892
Accounts payable	114,683	50,628
Accrued expenses	410,043	294,601
Deferred revenue	5,819	384
Current maturities of long-term debt	55,015	51,255
Total current liabilities	597,033	461,760
Long-term debt , net of current maturities	83,772	138,662
Total liabilities	680,805	600,422
Net assets:		
Unrestricted	735,744	540,446
Temporarily restricted	1,258	1,119
Total net assets	737,002	541,565
Total liabilities and net assets	\$ 1,417,807	\$ 1,141,987

The accompanying notes are an integral part of these financial statements

TAPESTRY CHARTER SCHOOL
Statement of Activities
Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support:			
Public School District:			
Revenue - Resident student enrollment	\$ 3,328,265	\$ -	\$ 3,328,265
Revenue - Students with disabilities	185,162	-	185,162
Grants and contracts	-	198,339	198,339
Contributions	13,322	7,277	20,599
Cafeteria income	100,783	-	100,783
Interest income	2,766	-	2,766
Other income	28,828	-	28,828
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>205,477</u>	<u>(205,477)</u>	<u>-</u>
Total revenues, gains and other support	<u>3,864,603</u>	<u>139</u>	<u>3,864,742</u>
Expenses:			
Program services:			
Regular and special education	2,970,918	-	2,970,918
Supporting services:			
Management and general	<u>698,387</u>	<u>-</u>	<u>698,387</u>
Total expenses	<u>3,669,305</u>	<u>-</u>	<u>3,669,305</u>
Change in net assets	195,298	139	195,437
Net assets at beginning of year	<u>540,446</u>	<u>1,119</u>	<u>541,565</u>
Net assets at end of year	<u>\$ 735,744</u>	<u>\$ 1,258</u>	<u>\$ 737,002</u>

The accompanying notes are an integral part of this financial statement

TAPESTRY CHARTER SCHOOL
Statement of Activities
Year Ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support:			
Public School District:			
Revenue - Resident student enrollment	\$ 2,542,833	\$ -	\$ 2,542,833
Revenue - Students with disabilities	194,904	-	194,904
Grants and contracts	-	201,717	201,717
Contributions	22,810	15,869	38,679
Cafeteria income	75,926	-	75,926
Interest income	2,230	-	2,230
Other income	44,171	-	44,171
Net assets released from restrictions:			
Satisfaction of program restrictions	247,559	(247,559)	-
Total revenues, gains and other support	<u>3,130,433</u>	<u>(29,973)</u>	<u>3,100,460</u>
Expenses:			
Program services:			
Regular and special education	2,454,253	-	2,454,253
Supporting services:			
Management and general	483,343	-	483,343
Total expenses	<u>2,937,596</u>	<u>-</u>	<u>2,937,596</u>
Change in net assets	192,837	(29,973)	162,864
Net assets at beginning of year	<u>347,609</u>	<u>31,092</u>	<u>378,701</u>
Net assets at end of year	<u>\$ 540,446</u>	<u>\$ 1,119</u>	<u>\$ 541,565</u>

The accompanying notes are an integral part of this financial statement

TAPESTRY CHARTER SCHOOL
Statement of Functional Expenses
Year Ended June 30, 2008

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Regular and Special Education</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 1,599,325	\$ 441,822	\$ 2,041,147
Payroll taxes	126,191	34,870	161,061
Employee benefits	231,010	63,834	294,844
Food service	93,630	-	93,630
Accounting and legal	42,816	17,236	60,052
Books and instructional material	42,021	-	42,021
Contracted services and consultants	83,148	40,304	123,452
Travel	17,785	4,914	22,699
Conferences and training	8,252	-	8,252
Rent	228,496	25,388	253,884
Utilities	67,397	7,488	74,885
Classroom supplies	23,006	-	23,006
Postage	4,315	479	4,794
Printing	2,801	311	3,112
Nurse office expense	934	-	934
Staff development	29,722	8,213	37,935
Interest expense	-	14,885	14,885
Office expense	35,625	3,958	39,583
Advertising and promotion	-	4,466	4,466
Maintenance and repairs	65,634	7,293	72,927
Property taxes	35,743	3,971	39,714
Telephone	7,714	857	8,571
Technology expense	14,674	1,631	16,305
Field trips and activities	43,634	-	43,634
Student testing and assessment	6,738	-	6,738
Sports expenses	12,106	-	12,106
Dues and subscriptions	4,529	503	5,032
Insurance	39,050	4,339	43,389
Miscellaneous	4,956	551	5,507
Depreciation and amortization	99,666	11,074	110,740
Total	\$ 2,970,918	\$ 698,387	\$ 3,669,305

The accompanying notes are an integral part of this financial statement

TAPESTRY CHARTER SCHOOL
Statement of Functional Expenses
Year Ended June 30, 2007

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Regular and Special Education</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 1,266,630	\$ 316,657	\$ 1,583,287
Payroll taxes	102,256	25,564	127,820
Employee benefits	163,113	40,779	203,892
Food service	50,566	-	50,566
Accounting	29,952	7,488	37,440
Books and instructional material	40,812	-	40,812
Contracted services and consultants	74,270	-	74,270
Travel	9,981	2,495	12,476
Conferences and training	1,139	-	1,139
Rent	244,469	27,163	271,632
Utilities	62,140	6,905	69,045
Classroom supplies	26,067	-	26,067
Postage	3,127	-	3,127
Printing	1,225	-	1,225
Nurse office expense	1,040	-	1,040
Staff development	32,224	8,056	40,280
Interest expense	-	15,091	15,091
Office expense	28,855	3,207	32,062
Advertising and promotion	-	1,796	1,796
Maintenance and repairs	79,323	8,814	88,137
Property taxes	38,786	4,310	43,096
Telephone	7,989	888	8,877
Technology expense	24,016	-	24,016
Field trips and activities	55,668	-	55,668
Student testing and assessment	7,387	-	7,387
Dues and subscriptions	2,327	259	2,586
Insurance	35,445	3,939	39,384
Miscellaneous	299	2,694	2,993
Depreciation and amortization	65,147	7,238	72,385
Total	\$ <u>2,454,253</u>	\$ <u>483,343</u>	\$ <u>2,937,596</u>

The accompanying notes are an integral part of this financial statement

TAPESTRY CHARTER SCHOOL
Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Increase in net assets	\$ 195,437	\$ 162,864
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	110,740	72,385
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	45,872	(130,140)
Prepaid expenses	7,389	2,361
Increase (decrease) in:		
Accounts payable	60,636	9,344
Accrued expenses	115,442	114,753
Deferred revenue	5,435	384
Net cash provided by operating activities	540,951	231,951
 Cash flows from investing activities:		
Construction in progress payments	(344,059)	-
Payments on building deposit	(67,600)	-
Purchase of property and equipment	(170,207)	(157,304)
Net cash used in investing activities	(581,866)	(157,304)
 Cash flows from financing activities:		
Proceeds from long-term debt	-	125,000
Principal payments on long-term debt	(101,130)	(38,372)
Net cash provided by (used in) financing activities	(101,130)	86,628
 Net increase (decrease) in cash	(142,045)	161,275
 Cash at beginning of period	187,790	26,515
 Cash at end of period	\$ 45,745	\$ 187,790
 Supplemental disclosures of cash flow information:		
Interest paid	\$ 14,885	\$ 15,091

The accompanying notes are an integral part of these financial statements

TAPESTRY CHARTER SCHOOL
Notes to Financial Statements
June 30, 2008 and 2007

Note 1 - Organization and Summary of Significant Accounting Policies

Organization - The mission of Tapestry Charter School (the School) is to provide a learning center that offers challenging educational opportunities in a multi-age setting. The School provides an environment where students are encouraged to become self directed, independent learners. Progressive, interdisciplinary teaching techniques are utilized along with the best resources available to fit the individual learning style of each student. Parent involvement is a significant component in the success of the Tapestry Charter School. The School enrolls students from families of diverse cultural, racial and socio-economic backgrounds.

The School received a provisional charter on April 24, 2001 from the Education Department of the State of New York for an initial period of five years. The charter has been renewed for a term of five years in accordance with the provisions of Article 5b of the Education Law.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its 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.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the Statement of Cash flows, the School considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment - Property and equipment are stated at cost, except for donated property and equipment, which is stated at the estimated fair market value at date of receipt. Depreciation of property and equipment is recorded on the straight-line method based on the estimated useful lives of the assets.

Income Taxes - The School is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and is classified as "other than a private foundation". Therefore, no provision for income taxes is reflected in the financial statements.

TAPESTRY CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2008 and 2007

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Restricted and Unrestricted Support and Revenue - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or 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. Grant awards are classified as refundable advances until expended for the purposes of the grant since they are conditioned promises to give.

Functional Allocation of Expenses - The costs of various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 - Property and Equipment

Property and equipment at June 30, 2008 and 2007 consists of the following:

	<u>2008</u>	<u>2007</u>
Building improvements	\$ 696,872	\$ 640,919
Office equipment	66,049	48,630
Instructional equipment	332,508	236,297
Kitchen equipment	16,453	16,453
Library equipment	36,791	36,167
	<u>1,148,673</u>	<u>978,466</u>
Less accumulated depreciation	<u>373,243</u>	<u>262,503</u>
	<u>\$ 775,430</u>	<u>\$ 715,963</u>

TAPESTRY CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2008 and 2007

Note 3 - Construction in Progress

As detailed in note 12, the School has entered into an agreement to purchase a building for its operations. During the year ended June 30, 2008, the School has expended \$344,059 for architectural and other expenses relating to the purchase and rehabilitation of the property. These costs have been capitalized and will be depreciated over the life of the building upon acquisition.

Note 4 - Public School District Revenue

The School receives public school district funds for regular student enrollment. The rate per student is mandated by the State of New York Education Department. For the years ended June 30, 2008 and 2007, the Buffalo School District rate was \$9,567 and \$9,499 per student, respectively. The School had 347 and 266 students enrolled during the 2008 and 2007 school years, respectively, with the majority from the Buffalo School District. Total public school district revenue for the years ended June 30, 2008 and 2007 was \$3,513,427 and \$2,737,737, respectively.

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets are funds restricted by the donor for educational purposes or specific grant programs. Temporarily restricted net assets at June 30, 2008 and 2007 are available for the following purposes:

	2008	2007
Purchase of equipment	\$ 1,258	\$ 964
Educational programs	-	155
	\$ 1,258	\$ 1,119

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2008	2007
Regular education	\$ 92,390	\$ 123,219
High school start-up	97,449	109,590
Educational programs and equipment	15,638	14,750
	\$ 205,477	\$ 247,559

TAPESTRY CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2008 and 2007

Note 6 - Operating Lease Agreement

The School has a five-year non-cancelable operating lease for its facility expiring in June 2011. The School has two five-year options to renew at the end of the lease term. Rent expense for the years ended June 30, 2008 and 2007 was \$253,884 and \$271,632, respectively.

Total future minimum rental payments required under this lease are as follows:

2009	\$	260,715
2010		265,930
2011		<u>271,249</u>
	\$	<u><u>797,894</u></u>

Note 7 - Note Payable

The School has a \$300,000 line of credit with a local bank with an interest rate floating at the Wall Street Journal prime rate plus 1%. The note is due on demand and expires on November 30, 2008. The note is secured by the assets of the School. As of June 30, 2008 the interest rate was 6.0%. The balance outstanding as of June 30, 2008 and 2007 was \$-0- and \$50,000, respectively.

Note 8 - Long-term Debt

The School has a term loan payable with First Niagara Bank. The loan was for \$221,000 with an interest rate of 7.10% and is secured by the assets of the School. The loan is payable in 48 equal monthly payments of principal and interest of \$5,255. The balance outstanding as of June 30, 2008 and 2007 was \$138,787 and \$189,917, respectively.

Principal maturities of long-term debt are as follows:

2009	\$	55,015
2010		59,051
2011		<u>24,721</u>
	\$	<u><u>138,787</u></u>

TAPESTRY CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2008 and 2007

Note 9 - Revolving Lines of Credit

The School has various revolving lines of credit available for operating expenses. The balances outstanding as of June 30, 2008 and 2007 are as follows:

	<u>Credit Limit</u>	<u>Interest Rate</u>	<u>2008</u>	<u>2007</u>
American Express	\$ 25,000	14.99%	\$ 7,258	\$ 11,826
First Bankcard Visa	10,000	11.99%	4,035	2,894
Sam's Club	1,250	16.55%	180	172
			<u>\$ 11,473</u>	<u>\$ 14,892</u>

Note 10 - Retirement Plan

The School makes contributions to the New York State Teachers' Retirement System (the Plan), a cost sharing multiple employer defined benefit pension plan administered by the New York State Teachers' Retirement Board. The Plan provides retirement, disability and death benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. Plan members who joined the Plan prior to July 27, 1976 are not required to make contributions. Members joining after who have less than ten years of service or membership are required to contribute three percent of their annual salary. Employers are required to contribute at an actuarially determined rate, currently 8.73 % of the annual payroll for covered employees. The School's contribution was \$162,153 and \$109,960 for the years ended June 30, 2008 and 2007, respectively.

Note 11 - Concentration of Credit Risk

The School maintains its cash balances at financial institutions within the Buffalo, New York area, which at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC), up to \$100,000 per institution. As of June 30, 2008 and 2007, the maximum loss that would have resulted from that risk totaled approximately \$-0- and \$156,757 respectively. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

TAPESTRY CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2008 and 2007

Note 12 - Subsequent Events

In November 2007, the School entered into a purchase agreement to purchase a building on Great Arrow Drive in the City of Buffalo for a purchase price of \$1,500,000. The agreement required an earnest money deposit of \$50,000, which is included in Building deposits in the accompanying statement of financial position. In addition, the School also paid \$17,600 to the seller as consideration to extend the closing date of the agreement to September 26, 2008. Subsequent to year-end, the School closed on the property on September 26, 2008 and made an additional deposit toward the purchase price of \$250,000. Upon closing, the School executed a promissory note in the amount of \$1,200,000. The terms of the mortgage note call for monthly principal payments of \$20,000 plus accrued interest at the rate of 8% with a maturity date of October 2010. The School plans on rehabilitating the property to be used for its operations and is in the process of obtaining financing for the project.

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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**

The Board of Directors
Tapestry Charter School

We have audited the financial statements of Tapestry Charter School (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our 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 Tapestry 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 Tapestry Charter 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 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 statements will not be prevented or detected by the organization's internal control.

Our consideration of the 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tapestry 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 the Board of Directors, management, others within the organization, 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.

Amato, Fox & Company, P.C.

October 24, 2008