

**EXCELLENCE BOYS CHARTER SCHOOL OF
BEDFORD STUYVESANT**

BROOKLYN, NEW YORK

AUDITED FINANCIAL STATEMENTS

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2009
(With Comparative Totals for 2008)

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MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Excellence Boys Charter School of Bedford Stuyvesant

We have audited the accompanying statement of financial position of Excellence Boys Charter School of Bedford Stuyvesant as of June 30, 2009, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of Excellence Charter School of Bedford Stuyvesant as of and for the year ended June 30, 2008 and, in our report dated October 24, 2008, we expressed an unqualified opinion on those financial statements.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Excellence Boys Charter School of Bedford Stuyvesant as of June 30, 2009, 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 26, 2009, on our consideration of Excellence Boys Charter School of Bedford Stuyvesant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York

October 26, 2009

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009

(With Comparative Totals for 2008)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 534,712	\$ 279,451
Grants and other receivables	239,694	321,820
Prepaid expenses and other current assets	<u>9,993</u>	<u>197,724</u>
TOTAL CURRENT ASSETS	784,399	798,995
 <u>PROPERTY AND EQUIPMENT, net</u>	 <u>416,544</u>	 <u>479,174</u>
TOTAL ASSETS	<u>\$ 1,200,943</u>	<u>\$ 1,278,169</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 210,259	\$ 515,661
 <u>NET ASSETS, unrestricted</u>	 <u>990,684</u>	 <u>762,508</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,200,943</u>	<u>\$ 1,278,169</u>

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

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2009
(With Comparative Totals for 2008)

	Year ended June 30,	
	<u>2009</u>	<u>2008</u>
Operating revenue and support:		
State and local per pupil operating revenue	\$ 3,607,534	\$ 2,473,793
State and local grants	51,678	237,630
Federal grants	394,956	108,151
Contributions	740,383	832,588
Other income	<u>10,473</u>	<u>13,721</u>
TOTAL OPERATING REVENUE AND SUPPORT	4,805,024	3,665,883
Expenses:		
Program services - education	4,094,614	3,103,360
General and administrative	<u>482,234</u>	<u>410,111</u>
TOTAL EXPENSES	<u>4,576,848</u>	<u>3,513,471</u>
CHANGE IN NET ASSETS	228,176	152,412
Unrestricted net assets at beginning of year	<u>762,508</u>	<u>610,096</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 990,684</u>	<u>\$ 762,508</u>

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

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2009
(With Comparative Totals for 2008)

	Program services - education	General and administrative	Total	
			Year ended June 30,	
			2009	2008
Salaries	\$ 2,531,935	\$ 265,704	\$ 2,797,639	\$ 2,110,091
Payroll taxes and employee benefits	509,717	53,506	563,223	402,572
Repairs and maintenance	8,983	-	8,983	4,555
Textbooks	14,758	-	14,758	63,271
Instructional supplies and assessments	50,348	-	50,348	23,273
Computer and technology supplies	45,598	-	45,598	30,265
Student enrichment and services	181,012	-	181,012	89,997
Professional development	293,793	-	293,793	87,379
Professional services	-	9,270	9,270	12,185
Telephone	-	35,310	35,310	33,556
Insurance	-	23,635	23,635	17,362
Management fees	322,763	56,958	379,721	260,617
Office expense	20,504	33,769	54,273	49,318
Depreciation	87,464	1,241	88,705	93,138
Contributions	27,739	-	27,739	232,485
Other	-	2,841	2,841	3,407
	<u>\$ 4,094,614</u>	<u>\$ 482,234</u>	<u>\$ 4,576,848</u>	<u>\$ 3,513,471</u>

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

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2009
(With Comparative Totals for 2008)

	<u>Year ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 228,176	\$ 152,412
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	88,705	93,138
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	82,126	(202,176)
Prepaid expenses and other current assets	187,731	(161,014)
Accounts payable and accrued expenses	(305,402)	451,711
Deferred revenue	-	(50,000)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	281,336	284,071
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(26,075)	(95,680)
NET CASH USED FOR INVESTING ACTIVITIES	(26,075)	(95,680)
NET INCREASE IN CASH	255,261	188,391
Cash at beginning of year	279,451	91,060
CASH AT END OF YEAR	<u>\$ 534,712</u>	<u>\$ 279,451</u>

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

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Excellence Boys Charter School of Bedford Stuyvesant (the “Charter School”), is an educational corporation that commenced operating as a charter school in the borough of Brooklyn, New York City in July 2004. On June 20, 2003, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration. The Charter School has applied for a renewal of its charter.

The Board of Trustees approved a change in the name of the Charter School on November 13, 2008 to Excellence Boys Charter School of Bedford Stuyvesant. The Charter School was formerly known as Excellence Charter School of Bedford Stuyvesant. Management is currently in the process of formally amending the School’s charter.

The Charter School’s mission is to prepare students to enter, succeed in and graduate from outstanding college preparatory high schools and colleges.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Charter School reports 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 classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2009 or 2008.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. The Charter School had no temporarily restricted net assets at June 30, 2009 or 2008.

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

Revenue from state and local governments resulting from the Charter School’s charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the Charter School when qualifying expenditures are incurred and billable.

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2009 AND 2008

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Contributions

Contributions received are recorded as unrestricted, temporarily, or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, 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.

Cash

The Charter School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Effective October 3, 2008 through December 31, 2009, accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition, as of October 14, 2008, unlimited deposit insurance coverage is available through December 31, 2009, for certain non-interest bearing transaction accounts at institutions participating in FDIC's Temporary Liquidity Guarantee Program. Uninsured balances at June 30, 2009 approximated \$402,000. The Charter School has not experienced any losses in such accounts.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2009 or 2008.

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to ten years.

Tax exempt status

The Charter School is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, is exempt from federal and state taxes on income.

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require "specialized skills" and would typically not be purchased if they were not contributed.

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2009 AND 2008

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Use of estimates in the preparation of financial statements

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. Actual results could differ from those estimates.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the balance sheet date through October 26, 2009, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

Comparatives for year ended June 30, 2008

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

NOTE B: RELATED PARTY TRANSACTIONS

From inception, the Charter School has been assisted in the pursuit of its educational goals by Uncommon Schools, Inc. ("USI") and its affiliate, Excellence Academies Foundation, Inc. ("EAF"). USI, a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Charter School.

USI and EAF raised the initial funding to plan the Charter School and to ensure and finance both the temporary and permanent facilities.

The Charter School entered into a five year agreement with USI, dated July 1, 2005, revised with a five year agreement dated September 26, 2006, under which the Charter School pays a services fee of 10% of the average number of students enrolled at the Charter School during the school year multiplied by the approved per pupil operating expense for the school year, and 10% of all other public entitlement funding receivable for the school year, excluding in-kind contributions and funds from competitive public grants. The fee incurred for the years ended June 30, 2009 and 2008 was approximately \$380,000 and \$261,000, respectively. At June 30, 2009 approximately \$106,000 is included in accounts receivable relating to USI. There were no amounts due from USI at June 30, 2008. At June 30, 2009 and 2008 approximately \$142,000 and \$212,000, respectively, are included in accounts payable relating to USI.

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2009 AND 2008

NOTE B: RELATED PARTY TRANSACTIONS, Cont'd

The Charter School entered into an operating lease for office and instructional space with EAF on May 15, 2006. The agreement requires the Charter School to make an annual rental payment of \$1 for one year beginning July 1, 2006. EAF has entered into a sales transaction with the Board of Education to purchase the building, at which time the Board of Education would enter into a lease agreement with the Charter School to lease the facility for \$1 annually for up to 99 years. As of the date of the financial statements, this transaction has not been completed and, therefore, EAF continues to own the building and is continuing to lease the space to the Charter School for \$1 annually based on a verbal agreement.

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$ 60,750	\$ 56,281
Computer software	250,661	229,055
Leasehold improvements	<u>450,740</u>	<u>450,740</u>
	762,151	736,076
Less accumulated depreciation and amortization	<u>345,607</u>	<u>256,902</u>
	<u>\$ 416,544</u>	<u>\$ 479,174</u>

NOTE D: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. The Charter School matches employee's contributions up to 3% of gross payroll. The Charter School's total contribution to the Plan for the years ended June 30, 2009 and 2008 approximated \$69,900 and \$52,400, respectively.

NOTE E: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2009 AND 2008

NOTE F: CONCENTRATION

At June 30, 2009 and 2008, approximately 49% and 74%, respectively, of accounts receivable are due from New York State.

During the years ended June 30, 2009 and 2008, 75% and 67%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School is located.

NOTE G: MAJOR GRANTOR

One foundation grant accounted for over ten percent of total operating revenue for the year ended June 30, 2008. For the year ended June 20, 2009, there were no grants over 10% of total operating revenue.

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' 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

Board of Trustees
Excellence Boys Charter School of Bedford Stuyvesant

We have audited the financial statements of Excellence Boys Charter School of Bedford Stuyvesant as of and for the year ended June 30, 2009, and have issued our report thereon dated October 26, 2009. 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 Excellence Boys Charter School of Bedford Stuyvesant'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 Excellence Boys Charter School of Bedford Stuyvesant's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 Charter School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the Charter School's financial statements that is more than inconsequential will not be prevented or detected by the Charter 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 Charter 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Excellence Boys Charter School of Bedford Stuyvesant'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 we reported to management of Excellence Boys Charter School of Bedford Stuyvesant in a separate letter dated October 26, 2009.

This report is intended solely for the information and use of the Board of Trustees, management, federal, state and local awarding agencies, The Charter Schools Institute of the State University of New York and the State Education Department of the State University of New York, and others within the Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 26, 2009