

ALBANY COMMUNITY CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

ALBANY COMMUNITY CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

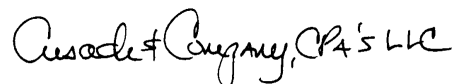
Board of Trustees
Albany Community Charter School
Albany, New York

We have audited the accompanying statements of financial position of Albany Community Charter School as of June 30, 2010 and 2009 and the related statements of activities and change in net assets, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of Albany Community 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 Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 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 Albany Community Charter School as of June 30, 2010 and 2009, and the changes in its net assets and 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 21, 2010 on our consideration of Albany Community 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 audits.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 21, 2010

ALBANY COMMUNITY CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets		
Cash	\$ 773,436	\$ 793,602
Grants and Contracts Receivable	102,212	47,873
Accounts Receivables	37,371	3,749
Inventory	15,984	7,187
Prepaid Expenses	<u>16,345</u>	<u>88,502</u>
Total Current Assets	<u>945,348</u>	<u>940,913</u>
Property and Equipment - Net	<u>228,906</u>	<u>229,029</u>
Other Assets		
Security Deposits	<u>161,160</u>	<u>3,660</u>
Total Assets	<u>\$ 1,335,414</u>	<u>\$ 1,173,602</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 87,803	\$ 65,264
Accrued Payroll and Benefits	59,120	43,097
Deferred Revenue	<u>17,120</u>	<u>-</u>
Total Current Liabilities	164,043	108,361
Long-Term Liabilities		
Compensated Absences	<u>13,480</u>	<u>7,426</u>
Total Liabilities	<u>177,523</u>	<u>115,787</u>
Net Assets		
Unrestricted	<u>1,157,891</u>	<u>1,057,815</u>
Total Liabilities and Net Assets	<u>\$ 1,335,414</u>	<u>\$ 1,173,602</u>

ALBANY COMMUNITY CHARTER SCHOOL
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, Gains and Other Support:			
Public School District			
Resident Student Enrollment	\$ 3,464,007	\$ -	\$ 3,464,007
Students with Disabilities	45,754	-	45,754
Grants and Contracts			
Federal - Title and IDEA	223,615	-	223,615
Other	1,110	-	1,110
Food Service/Children Nutrition Program	<u>205,793</u>	<u>-</u>	<u>205,793</u>
Total Revenue, Gains and Other Support	<u>3,940,279</u>	<u>-</u>	<u>3,940,279</u>
Expenses:			
Program Services			
Regular Education	2,400,162	-	2,400,162
Special Education	368,413	-	368,413
Other Programs	<u>528,251</u>	<u>-</u>	<u>528,251</u>
Total Program Services	3,296,826	-	3,296,826
Management and General	557,062	-	557,062
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>3,853,888</u>	<u>-</u>	<u>3,853,888</u>
Surplus from School Operations	<u>86,391</u>	<u>-</u>	<u>86,391</u>
Support and Other Revenue:			
Fundraising	437	-	437
Interest Income	4,163	-	4,163
Miscellaneous Income	9,085	-	9,085
Net Assets Released from Restriction	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Other Revenue	<u>13,685</u>	<u>-</u>	<u>13,685</u>
Increase in Net Assets	100,076	-	100,076
Net Assets, Beginning of Year	<u>1,057,815</u>	<u>-</u>	<u>1,057,815</u>
Net Assets, End of Year	<u>\$ 1,157,891</u>	<u>\$ -</u>	<u>\$ 1,157,891</u>

ALBANY COMMUNITY CHARTER SCHOOL
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, Gains and Other Support:			
Public School District			
Resident Student Enrollment	\$ 2,674,009	\$ -	\$ 2,674,009
Students with Disabilities	49,016	-	49,016
Grants and Contracts			
Federal - Title and IDEA	176,002	-	176,002
Other	6,000	-	6,000
Food Service/Child Nutrition Program	<u>144,636</u>	<u>-</u>	<u>144,636</u>
Total Revenue, Gains and Other Support	<u>3,049,663</u>	<u>-</u>	<u>3,049,663</u>
Expenses:			
Program Expenses			
Regular Education	2,044,956	-	2,044,956
Special Education	206,234	-	206,234
Other Programs	<u>418,194</u>	<u>-</u>	<u>418,194</u>
Total Program Services	2,669,384	-	2,669,384
Management and General Fundraising	460,402	-	460,402
	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>3,129,786</u>	<u>-</u>	<u>3,129,786</u>
Deficit from School Operations	<u>(80,123)</u>	<u>-</u>	<u>(80,123)</u>
Support and Other Revenue:			
Fundraising	1,212	-	1,212
Interest Income	12,769	-	12,769
Miscellaneous Income	5,187	-	5,187
Net Assets Released from Restriction	<u>16,637</u>	<u>(16,637)</u>	<u>-</u>
Total Support and Other Revenue	<u>35,805</u>	<u>(16,637)</u>	<u>19,168</u>
Decrease in Net Assets	(44,318)	(16,637)	(60,955)
Net Assets Beginning of Year	<u>1,102,133</u>	<u>16,637</u>	<u>1,118,770</u>
Net Assets, End of Year	<u>\$ 1,057,815</u>	<u>\$ -</u>	<u>\$ 1,057,815</u>

ALBANY COMMUNITY CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows Provided by Operating Activities:		
Increase (Decrease) Increase in Net Assets	\$ 100,076	\$ (60,955)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	63,782	57,554
Changes in Operating Assets and Liabilities:		
<u>(Increase) Decrease in Assets</u>		
Grants and Contracts Receivable	(54,339)	98,840
Accounts Receivables	(33,622)	62,877
Inventory	(8,797)	(4,712)
Prepaid Expense	72,157	(22,477)
Security Deposits	(157,500)	(3,660)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	22,539	(13,920)
Accrued Payroll and Benefits	16,023	20,876
Deferred Revenue	17,120	(3,424)
Compensated Absences	<u>6,054</u>	<u>(2,220)</u>
Net Cash Provided by Operating Activities	<u>43,493</u>	<u>128,779</u>
Cash Flows Used in Investing Activities		
Purchase of Property and Equipment	<u>(63,659)</u>	<u>(134,845)</u>
Net Decrease in Cash and Cash Equivalents	(20,166)	(6,066)
Cash and Cash Equivalents, Beginning of Fiscal Year	<u>793,602</u>	<u>799,668</u>
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 773,436</u>	<u>\$ 793,602</u>

ALBANY COMMUNITY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Program Services</u>				<u>Supporting Services</u>			
	<u>Regular Education</u>	<u>Special Education</u>	<u>Other Education</u>	<u>Total</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>	<u>Total</u>
Administrative Staff	\$ 158,525	\$ -	\$ -	\$ 158,525	\$ -	\$ 331,799	\$ 331,799	\$ 490,324
Instructional Personnel	1,123,251	197,396	-	1,320,647	-	-	-	1,320,647
Non-Instructional Personnel	<u>4,238</u>	<u>-</u>	<u>-</u>	<u>4,238</u>	<u>-</u>	<u>37,024</u>	<u>37,024</u>	<u>41,262</u>
Total Salaries and Staff	1,286,014	197,396	-	1,483,410	-	368,823	368,823	1,852,233
Fringe Benefits and Payroll Taxes	231,986	35,609	-	267,595	-	66,533	66,533	334,128
Retirement	14,258	2,188	-	16,446	-	4,089	4,089	20,535
Legal Service	3,181	488	-	3,669	-	912	912	4,581
Accounting/Audit Services	8,258	1,268	-	9,526	-	2,369	2,369	11,895
Other Purchased/Professional/ Consulting Services	53,340	8,187	-	61,527	-	15,298	15,298	76,825
Building and Land Rent/Lease	433,936	66,607	68,712	569,255	-	55,739	55,739	624,994
Repairs and Maintenance	88,015	13,510	13,937	115,462	-	11,306	11,306	126,768
Insurance	30,670	4,708	4,857	40,235	-	3,940	3,940	44,175
Utilities	35,562	5,459	5,631	46,652	-	4,568	4,568	51,220
Supplies/Materials	57,201	8,780	8,216	74,197	-	535	535	74,732
Equipment/Furnishings	1,596	245	-	1,841	-	458	458	2,299
Staff Development	12,285	1,886	-	14,171	-	-	-	14,171
Marketing/Recruitment	16,948	2,601	-	19,549	-	4,861	4,861	24,410
Technology	5,273	810	-	6,083	-	1,513	1,513	7,596
Food Service	-	-	208,185	208,185	-	-	-	208,185
Student Services	54,273	8,331	215,511	278,115	-	-	-	278,115
Office Expense	20,222	3,104	3,202	26,528	-	2,597	2,597	29,125
Depreciation and Other	<u>47,144</u>	<u>7,236</u>	<u>-</u>	<u>54,380</u>	<u>-</u>	<u>13,521</u>	<u>13,521</u>	<u>67,901</u>
Total Expenses	<u>\$2,400,162</u>	<u>\$ 368,413</u>	<u>\$ 528,251</u>	<u>\$ 3,296,826</u>	<u>\$ -</u>	<u>\$ 557,062</u>	<u>\$ 557,062</u>	<u>\$ 3,853,888</u>

ALBANY COMMUNITY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Program Services</u>				<u>Supporting Services</u>			
	<u>Regular Education</u>	<u>Special Education</u>	<u>Other Education</u>	<u>Total</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>	<u>Total</u>
Administrative Staff Personnel	\$ 133,494	\$ -	\$ -	\$ 133,494	\$ -	\$ 271,685	\$ 271,685	\$ 405,179
Instructional Personnel	870,000	101,545	-	971,545	-	-	-	971,545
Non-Instructional Personnel	<u>3,395</u>	<u>-</u>	<u>-</u>	<u>3,395</u>	<u>-</u>	<u>10,833</u>	<u>10,833</u>	<u>14,228</u>
Total Salaries and Staff	1,006,889	101,545	-	1,108,434	-	282,518	282,518	1,390,952
Fringe Benefits and Payroll Taxes	203,156	20,488	-	223,644	-	57,002	57,002	280,646
Retirement	2,107	212	-	2,319	-	591	591	2,910
Management Company Fees								
Legal Service	4,095	413	-	4,508	-	1,149	1,149	5,657
Accounting/Audit Services	8,403	847	-	9,250	-	2,358	2,358	11,608
Other Purchased/Professional/ Consulting Services	57,305	5,779	-	63,084	-	16,079	16,079	79,163
Building and Land Rent/Lease	416,999	42,054	60,317	519,370	-	56,686	56,686	576,056
Repairs and Maintenance	72,851	7,347	10,538	90,736	-	9,903	9,903	100,639
Insurance	27,185	2,742	3,932	33,859	-	3,696	3,696	37,555
Utilities	35,924	3,623	5,196	44,743	-	4,884	4,884	49,627
Supplies/Materials	53,407	5,386	7,174	65,967	-	2,552	2,552	68,519
Equipment/Furnishings	1,427	144	-	1,571	-	400	400	1,971
Staff Development	9,981	1,007	-	10,988	-	-	-	10,988
Marketing/Recruitment	20,709	2,089	-	22,798	-	5,811	5,811	28,609
Technology	890	90	-	980	-	250	250	1,230
Food Service	-	-	151,653	151,653	-	-	-	151,653
Student Services	52,885	5,334	176,057	234,276	-	-	-	234,276
Office Expense	22,998	2,319	3,327	28,644	-	3,126	3,126	31,770
Depreciation and Other	<u>47,745</u>	<u>4,815</u>	<u>-</u>	<u>52,560</u>	<u>-</u>	<u>13,397</u>	<u>13,397</u>	<u>65,957</u>
Total Expenses	<u>\$2,044,956</u>	<u>\$ 206,234</u>	<u>\$ 418,194</u>	<u>\$ 2,669,384</u>	<u>\$ -</u>	<u>\$ 460,402</u>	<u>\$ 460,402</u>	<u>\$ 3,129,786</u>

ALBANY COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

1. ORGANIZATION AND PURPOSE

Organization

Albany Community Charter School (the “School”) is a New York not-for-profit organization that prepares students for a lifetime of opportunity by helping them master primary rigorous, standards-based curriculum focused on literacy and other foundational knowledge.

By aligning the efforts of all members of the school community - student, parent, teacher, principal, board, and civic organizations - we dramatically increase the chances students will be prepared to succeed when they move on to middle school, high school, college, and into the workforce. To achieve that goal, the learning community at the School emphasizes achievement, respect, and positive behavior.

The School is exempt from Federal and State income tax under §501(c)(3) of the Internal Revenue Code and comparable New York State Law. The School is designated as a publicly supported organization which is not a private foundation under §509(a) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements of the School have been prepared in accordance with the accrual basis of accounting.

Support and Expenses

Grants and pledges received are measured at their fair values and reported as an increase in net assets. The School reports grants and pledges as restricted when a portion of their value is assigned to a long-term future use, long-term meaning in excess of one year for the purpose of these statements.

The School reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services and Goods

No amounts have been reflected in the financial statements for donated services. The School pays for services requiring specific expertise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants, Contracts and Receivable

The School utilizes the allowance method to determine the allowance for doubtful accounts. At June 30, 2010 and 2009 management determined no allowance was necessary based upon their review of the specific receivables.

Inventory

Inventory consists of student uniforms and clothing available for use in the school's everyday operation. The inventory is stated at the lower of cost (on a first-in, first-out basis) or market value and is based on a physical inventory taken by management at June 30, 2010 and 2009.

Property, Equipment and Depreciation

Property and equipment are reflected at cost, with depreciation provided on a straight-line basis over an estimated useful life of 39 years for leasehold improvements, 7 years for furniture, 5 years for equipment, and 3 years for software. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Conditional and Unconditional Promises to Give

At June 30, 2010 and 2009, the School had not received any conditional or unconditional promises to give.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs benefitted. Salaries are allocated based on estimates of total time spent, while other expenses are allocated based on estimates of the resources used.

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 certain reported amounts and disclosures. Actual results could differ from these estimates.

Fair Value Measurement - Definition and Hierarchy

In 2009, the School adopted the provisions of FASB ASC 820-10, (formerly SFAS No. 157), *Fair Value Measurements*. FASB ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement - Definition and Hierarchy (Continued)

The School uses various valuation techniques in determining fair value. FASB ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the School. Unobservable inputs are inputs that reflect the School's assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the School has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

The School's cash and cash equivalents are primarily valued utilizing Level 1 inputs.

- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

The School's grants, contracts and accounts receivable, inventories, prepaid expenses and security deposits are primarily valued utilizing Level 2 inputs.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The School's property and equipment are measured utilizing Level 3 inputs.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the School in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for Uncertainty in Income Taxes

In June 2006, the Financial Accounting Standards Board (“FASB”) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109, Accounting for Income Taxes* (“FIN48”). FIN 48, now referred to as FASB ASC 740-10, requires entities to disclose in their financial statements the nature of any uncertainty in their tax position. For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur and jeopardize the tax-exempt status. The School implemented this policy in 2009 and its current accounting policy for evaluating uncertain tax positions is in accordance with generally accepted accounting principles. The School has not recognized any benefits from uncertain tax positions in 2010 or 2009 and believes it has no uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the balance sheet date of June 30, 2010.

Subsequent Events

During 2009, the School adopted ASC 855, *Subsequent Events*, which establishes general standards of accounting for, and disclosure of, events that occur after the date of the financial statements but before the financial statements are issued or are available to be issued. In preparing the financial statements and notes thereto, the School has considered subsequent events through October 21, 2010, the date the financial statements were issued.

Reclassification

Certain 2009 amounts have been reclassified to conform with the current year presentation.

3. GRANTS, CONTRACTS AND ACCOUNTS RECEIVABLE

At June 30, 2010 and 2009, grants, contracts and accounts receivable were comprised of the following funding sources:

	<u>2010</u>	<u>2009</u>
School District Tuition	\$ 37,245	\$ 3,749
U.S. Department of Agriculture	22,537	14,773
U.S. Department of Education	79,675	33,100
Other Receivables	126	-
	<u>\$ 139,583</u>	<u>\$ 51,622</u>

4. PROPERTY AND EQUIPMENT

Property and equipment are reflected at historical cost, net of related depreciation, and are comprised of the following at June 30, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Equipment	\$ 172,575	\$ 139,604
Furniture/Fixtures	188,865	159,298
Leasehold Improvements	<u>51,686</u>	<u>50,565</u>
Total at Cost	413,126	349,467
Less: Accumulated Depreciation	<u>(184,220)</u>	<u>(120,438)</u>
	<u>\$ 228,906</u>	<u>\$ 229,029</u>

Depreciation expense was \$63,782 and \$57,554 for the years ended June 30, 2010 and 2009, respectively.

5. LEASE COMMITMENTS

The School leases their building through June 30, 2018 from the Brighter Choice Foundation which is located in Albany, New York. Occupancy costs of the lease for the year ended June 30, 2010 and 2009 were \$624,994 and \$576,056, respectively.

Future annual minimum lease payments required under the building lease in the fiscal years ending June 30, are approximated as follows:

2011	\$ 717,384
2012	\$ 723,300
2013	\$ 729,300
2014	\$ 735,300
2015	\$ 741,300
Thereafter	\$ 2,300,600

6. RETIREMENT PLAN

The School has adopted a profit-sharing plan under IRC §401(k) covering all eligible employees. The School contributes a matching contribution to each eligible employee's profit-sharing plan at the rate of 4% of the employee's gross compensation for the calendar year. The School's retirement plan expense for the years ended June 30, 2010 and 2009 was \$20,535 and \$2,910, respectively.

7. CONCENTRATION OF RISK

The School receives a majority of its funding from the residing school districts of each student. A potential change in laws which govern charter schools could put the school at risk should the districts' requirement to fund charter schools be reduced.

The School does occasionally maintain deposits in excess of federal insured limits. FASB ASC 850-10 identifies this as a possible concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is further managed by maintaining all deposits in high quality financial institutions.

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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
Albany Community Charter School

We have audited the financial statements of Albany Community Charter School as of and for the year ended June 30, 2010, and have issued our report thereon dated October 21, 2010. 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 Albany Community 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 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Albany Community 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 management, others within the School, and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 21, 2010