

ALBANY PREPARATORY CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

ALBANY PREPARATORY CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Albany Preparatory Charter School
Albany, New York

We have audited the accompanying statements of financial position of Albany Preparatory 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 Preparatory 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 Preparatory 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 Preparatory 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 internal control over financial reporting 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.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 21, 2010

ALBANY PREPARATORY CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets		
Cash and Cash Equivalents	\$ 552,730	\$ 477,501
Grants and Contracts Receivable	25,797	12,010
Accounts Receivable	15,996	10,137
Prepaid Expense	<u>146,750</u>	<u>-</u>
Total Current Assets	741,273	499,648
Property, Building and Equipment - Net	<u>75,457</u>	<u>100,661</u>
Total Assets	<u><u>\$ 816,730</u></u>	<u><u>\$ 600,309</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 80,086	\$ 74,748
Accrued Payroll and Benefits	141,299	129,535
Deferred Revenue	<u>31,106</u>	<u>7,160</u>
Total Current Liabilities	252,491	211,443
Long-Term Liabilities		
Compensated Absences	<u>5,286</u>	<u>5,149</u>
Total Liabilities	<u>257,777</u>	<u>216,592</u>
Net Assets		
Unrestricted	<u>558,953</u>	<u>383,717</u>
Total Liabilities and Net Assets	<u><u>\$ 816,730</u></u>	<u><u>\$ 600,309</u></u>

ALBANY PREPARATORY 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 and Other Support:			
Public School District			
Resident Student Enrollment	\$ 2,175,268	\$ -	\$ 2,175,268
Students with Disabilities	98,375	-	98,375
Grants and Contracts			
Federal - Title and IDEA	165,640	-	165,640
Federal - Other	8,699	-	8,699
Food Service/Children Nutrition Program	<u>110,220</u>	<u>-</u>	<u>110,220</u>
Total Revenue and Other Support	<u>2,558,202</u>	<u>-</u>	<u>2,558,202</u>
Expenses:			
Program Services			
Regular Education	1,507,647	-	1,507,647
Special Education	150,260	-	150,260
Other Programs	<u>288,530</u>	<u>-</u>	<u>288,530</u>
Total Program Services	1,946,437	-	1,946,437
Management and General	481,735	-	481,735
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>2,428,172</u>	<u>-</u>	<u>2,428,172</u>
Surplus from School Operations	<u>130,030</u>	<u>-</u>	<u>130,030</u>
Support and Other Revenue:			
Contributions			
Individuals	75	-	75
Fundraising	4,903	-	4,903
Interest Income	1,133	-	1,133
Miscellaneous Income	<u>39,095</u>	<u>-</u>	<u>39,095</u>
Total Support and Other Revenue	<u>45,206</u>	<u>-</u>	<u>45,206</u>
Increase in Net Assets	175,236	-	175,236
Net Assets, Beginning of Year	<u>383,717</u>	<u>-</u>	<u>383,717</u>
Net Assets, End of Year	<u>\$ 558,953</u>	<u>\$ -</u>	<u>\$ 558,953</u>

ALBANY PREPARATORY 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	\$ 1,916,375	\$ -	\$ 1,916,375
Students with Disabilities	90,422	-	90,422
Grants and Contracts			
Federal - Title and IDEA	127,794	-	127,794
Other	-	-	-
Food Service/Child Nutrition Program	<u>97,812</u>	<u>-</u>	<u>97,812</u>
Total Revenue and Other Support	<u>2,232,403</u>	<u>-</u>	<u>2,232,403</u>
Expenses:			
Program Expenses			
Regular Education	1,364,335	-	1,364,335
Special Education	100,933	-	100,933
Other Programs	<u>274,405</u>	<u>-</u>	<u>274,405</u>
Total Program Services	1,739,673	-	1,739,673
Management and General	434,484	-	434,484
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>2,174,157</u>	<u>-</u>	<u>2,174,157</u>
Surplus from School Operations	<u>58,246</u>	<u>-</u>	<u>58,246</u>
Support and Other Revenue			
Contributions			
Corporations	500	-	500
Fundraising	8,754	-	8,754
Interest Income	4,448	-	4,448
Miscellaneous Income	<u>37,585</u>	<u>-</u>	<u>37,585</u>
Total Support and Other Revenue	<u>51,287</u>	<u>-</u>	<u>51,287</u>
Increase in Net Assets	109,533	-	109,533
Net Assets Beginning of Year	<u>274,184</u>	<u>-</u>	<u>274,184</u>
Net Assets, End of Year	<u>\$ 383,717</u>	<u>\$ -</u>	<u>\$ 383,717</u>

ALBANY PREPARATORY 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 in Net Assets	\$ 175,236	\$ 109,533
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	44,074	42,368
Changes in Operating Assets and Liabilities		
(Increase) Decrease in Assets		
Grants and Contracts Receivable	(13,787)	44,502
Accounts Receivable	(5,859)	53,430
Prepaid Expense	(146,750)	17,095
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	5,338	31,474
Accrued Payroll and Benefits	11,764	83,813
Deferred Revenue	23,946	7,160
Compensated Absences	<u>137</u>	<u>739</u>
Net Cash Provided by Operating Activities	<u>94,099</u>	<u>390,114</u>
Cash Flows Used in Investing Activities		
Purchase of Property and Equipment	<u>(18,870)</u>	<u>(6,153)</u>
Net Increase in Cash and Cash Equivalents	75,229	383,961
Cash and Cash Equivalents, Beginning of Year	<u>477,501</u>	<u>93,540</u>
Cash and Cash Equivalents, End of Year	<u>\$ 552,730</u>	<u>\$ 477,501</u>

ALBANY PREPARATORY 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	\$ 119,962	\$ -	\$ -	\$ 119,962	\$ -	\$ 286,281	\$ 286,281	\$ 406,243
Instructional Personnel	716,300	83,835	-	800,135	-	-	-	800,135
Non-Instructional Personnel	<u>4,900</u>	<u>-</u>	<u>-</u>	<u>4,900</u>	<u>-</u>	<u>18,674</u>	<u>18,674</u>	<u>23,574</u>
Total Salaries and Staff	841,162	83,835	-	924,997	-	304,955	304,955	1,229,952
Fringe Benefits and Payroll Taxes	176,485	17,590	-	194,075	-	63,983	63,983	258,058
Legal Service	13,815	1,377	-	15,192	-	5,008	5,008	20,200
Accounting/Audit Services	11,741	1,170	-	12,911	-	4,256	4,256	17,167
Other Purchased/Professional/ Consulting Services	71,957	7,172	-	79,129	-	26,087	26,087	105,216
Building and Land Rent/Lease	102,585	10,224	15,465	128,274	-	21,726	21,726	150,000
Repairs and Maintenance	66,052	6,583	9,958	82,593	-	13,989	13,989	96,582
Insurance	20,465	2,040	3,085	25,590	-	4,334	4,334	29,924
Utilities	29,989	2,989	4,521	37,499	-	6,351	6,351	43,850
Supplies/Materials	20,433	2,036	3,081	25,550	-	4,327	4,327	29,877
Equipment/Furnishings	2,189	218	-	2,407	-	793	793	3,200
Staff Development	15,079	1,503	-	16,582	-	-	-	16,582
Marketing/Recruitment	10,905	1,087	-	11,992	-	3,954	3,954	15,946
Technology	22,426	2,234	-	24,660	-	8,132	8,132	32,792
Food Service	-	-	102,098	102,098	-	-	-	102,098
Student Services	58,474	5,828	148,250	212,552	-	-	-	212,552
Office Expense	13,748	1,370	2,072	17,190	-	2,912	2,912	20,102
Depreciation and Other	<u>30,142</u>	<u>3,004</u>	<u>-</u>	<u>33,146</u>	<u>-</u>	<u>10,928</u>	<u>10,928</u>	<u>44,074</u>
Total Expenses	<u>\$1,507,647</u>	<u>\$ 150,260</u>	<u>\$ 288,530</u>	<u>\$ 1,946,437</u>	<u>\$ -</u>	<u>\$ 481,735</u>	<u>\$ 481,735</u>	<u>\$ 2,428,172</u>

ALBANY PREPARATORY 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	\$ 142,912	\$ -	\$ -	\$ 142,912	\$ -	\$ 250,217	\$ 250,217	\$ 393,129
Instructional Personnel	567,336	53,338	-	620,674	-	-	-	620,674
Non-Instructional Personnel	<u>10,733</u>	<u>-</u>	<u>-</u>	<u>10,733</u>	<u>-</u>	<u>15,025</u>	<u>15,025</u>	<u>25,758</u>
Total Salaries and Staff	720,981	53,338	-	774,319	-	265,242	265,242	1,039,561
Fringe Benefits and Payroll Taxes	151,497	11,208	-	162,705	-	55,734	55,734	218,439
Legal Service	18,972	1,403	-	20,375	-	6,979	6,979	27,354
Accounting/Audit Services	10,606	785	-	11,391	-	3,902	3,902	15,293
Other Purchased/Professional/ Consulting Services	44,391	3,284	-	47,675	-	16,331	16,331	64,006
Building and Land Rent/Lease	95,364	7,055	14,676	117,095	-	20,407	20,407	137,502
Repairs and Maintenance	90,243	6,676	13,888	110,807	-	19,311	19,311	130,118
Insurance	22,519	1,666	3,466	27,651	-	4,819	4,819	32,470
Utilities	32,614	2,413	5,020	40,047	-	6,979	6,979	47,026
Supplies/Materials	17,079	1,263	2,628	20,970	-	3,655	3,655	24,625
Equipment/Furnishings	7,355	544	-	7,899	-	2,706	2,706	10,605
Staff Development	9,666	715	-	10,381	-	-	-	10,381
Marketing/Recruitment	16,732	1,238	-	17,970	-	6,156	6,156	24,126
Technology	21,036	1,556	-	22,592	-	7,739	7,739	30,331
Food Service	-	-	102,816	102,816	-	-	-	102,816
Student Services	58,542	4,331	129,241	192,114	-	-	-	192,114
Office Expense	17,354	1,284	2,670	21,308	-	3,714	3,714	25,022
Depreciation and Other	<u>29,384</u>	<u>2,174</u>	<u>-</u>	<u>31,558</u>	<u>-</u>	<u>10,810</u>	<u>10,810</u>	<u>42,368</u>
Total Expenses	<u>\$1,364,335</u>	<u>\$ 100,933</u>	<u>\$ 274,405</u>	<u>\$ 1,739,673</u>	<u>\$ -</u>	<u>\$ 434,484</u>	<u>\$ 434,484</u>	<u>\$ 2,174,157</u>

1. ORGANIZATION AND PURPOSE

Organization

Albany Preparatory Charter School (the “School”) will provide Albany’s middle school students a quality alternative to the district’s middle schools and an education that enables them to be successfully admitted to high schools of choice; gives them necessary academic foundation to graduate high school with honors; and allows them to fully participate in our nation’s democracy and the global community

Three goals form the core of the School’s mission:

1. **Achieve academic excellence:** The School will accelerate the learning and academic skills of students so that they will achieve mastery of the skills necessary for success in high school, college, and life – especially reading, writing, math, and critical thinking.
2. **Become active, valued citizens:** The School will develop students who take responsibility for themselves, their school, their community, their country, and their role in the global community by learning to think critically about issues that affect them and by making participation in society while at school a regular activity.
3. **Effectively apply knowledge:** The School will develop students that are able to apply what they have learned creatively in a range of circumstances and new situations, drawing insightful conclusions and offering unique perspectives on problems

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Expenses (Continued)

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.

Grants, Contracts and Accounts 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.

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 15 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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 prepaid expenses, grants and contracts receivable, accounts receivable and current liabilities 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement - Definition and Hierarchy (Continued)

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.

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 and 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

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 Organization 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 current year presentation.

ALBANY PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

3. GRANTS, CONTRACTS AND ACCOUNTS RECEIVABLE

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

	<u>2010</u>	<u>2009</u>
School District Tuition	\$ 7,380	\$ 1,510
U.S. Department of Agriculture	10,551	10,972
U.S. Department of Education	15,246	1,038
Other Receivables	8,616	8,627
	<u>\$ 41,793</u>	<u>\$ 22,147</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, respectively.

	<u>2010</u>	<u>2009</u>
Furniture/Fixtures	\$ 52,632	\$ 45,656
Computers/Software	140,384	137,189
Equipment	<u>40,913</u>	<u>32,214</u>
Total at Cost	233,929	215,059
Less: Accumulated Depreciation	<u>(158,472)</u>	<u>(114,398)</u>
	<u>\$ 75,457</u>	<u>\$ 100,661</u>

Depreciation expense was \$44,074 and \$42,368 for the years ended June 30, 2010 and 2009, respectively.

5. LINE OF CREDIT

The School has available a line of credit from their depository institution in the amount of \$75,000 with an interest rate stated at prime plus 2.25% (5.5% at June 30, 2010). As of June 30, 2010 and 2009 the School has not drawn on this line.

6. RENTAL OF FACILITIES

The School currently leases their facility from the Brighter Choice Foundation through June 2011. Occupancy costs of the lease for the years ended June 30, 2010 and 2009 was \$150,000 and \$137,502, respectively. Rental expense for the year ending June 30, 2011 is estimated at \$150,000.

7. CONCENTRATION OF RISK

The School receives a majority of its funding as tuition revenue from the residing school districts of each student.

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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CERTIFIED PUBLIC ACCOUNTANTS

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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 Preparatory Charter School

We have audited the financial statements of Albany Preparatory 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 Preparatory 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 Preparatory 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.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 21, 2010