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AMERICAN INSTITUTE OF
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AND
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

JOHN A. CIMINO, CPA, OF COUNSEL

October 26, 2009

Charter Schools Institute
State University of New York
41 State Street, Suite 700
Albany, NY 12207

Re: Albany Community Charter School
65 Krank Street
Albany, NY 12202

To Whom It May Concern:

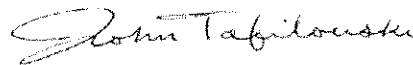
Please find enclosed the following documents for **Albany Community Charter School** as required by Section 2851 of the Education Law;

- Audited Financial Statements as of and for the year ended June 30, 2009
- Management Letter - There is no corrective action plan enclosed as there were no comments on the management letter.

If you should need any further information please do not hesitate to contact me.

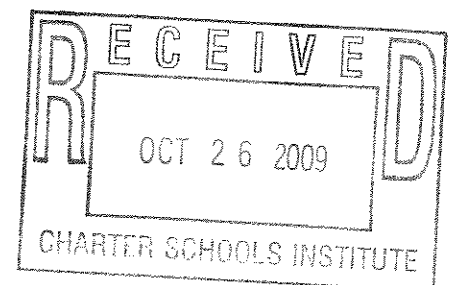
Very truly yours,

Cusack & Company CPA's LLC



John J. Tafilowski, CPA
Engagement Manager

Cc: Jennifer Brady, Director of Finance & Operations
S. Neal Currie, Jr., Principal



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September 30, 2009

JOHN A. CIMINO, CPA, OF COUNSEL

The Board of Trustees
Albany Community Charter School
Albany, NY 12202

We have audited the financial statements of Albany Community Charter School for the year ended June 30, 2009 and have issued our report thereon dated August 27, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 8, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters during June 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Albany Community Charter School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because

of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements for June 30, 2009.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following misstatements detected as a result of audit procedures were corrected by management:

- Fixed Assets/Depreciation
- Accrued Payroll

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 25, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. At the conclusion of our audit, we presented management with our concluding comments on areas/issues where potential improvement can be made.

This information is intended solely for the use of the Board of Directors and management of Albany Community Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Cusack & Company CPA's LLC

Cusack & Company CPA's LLC

ALBANY COMMUNITY CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

ALBANY COMMUNITY CHARTER SCHOOL

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JOHN A. CIMINO, CPA, OF COUNSEL

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, 2009 and 2008 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 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 Albany Community Charter School as of June 30, 2009 and 2008, 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 August 27, 2009 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 audit.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
August 27, 2009

ALBANY COMMUNITY CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Current Assets		
Cash	\$ 793,602	\$ 799,668
Grants Receivable	47,873	146,713
Other Receivables	3,749	66,626
Inventory	7,187	2,475
Prepaid Expenses	<u>88,502</u>	<u>66,025</u>
Total Current Assets	<u>940,913</u>	<u>1,081,507</u>
Property and Equipment - Net	<u>229,029</u>	<u>151,738</u>
Other Assets		
Utility Deposit	<u>3,660</u>	<u>-</u>
Total Assets	<u>\$ 1,173,602</u>	<u>\$ 1,233,245</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 65,264	\$ 79,184
Accrued Payroll and Payroll Taxes	43,097	22,221
Deferred Revenue	<u>-</u>	<u>3,424</u>
Total Current Liabilities	108,361	104,829
Long-Term Liabilities		
Compensated Absences	<u>7,426</u>	<u>9,646</u>
Total Liabilities	<u>115,787</u>	<u>114,475</u>
Net Assets		
Unrestricted	1,057,815	1,102,133
Temporarily Restricted	<u>-</u>	<u>16,637</u>
Total Net Assets	<u>1,057,815</u>	<u>1,118,770</u>
Total Liabilities and Net Assets	<u>\$ 1,173,602</u>	<u>\$ 1,233,245</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 and Other Support:			
Revenue - Student Enrollment	\$ 2,674,009	\$ -	\$ 2,674,009
Revenue - Students with Disabilities	49,016	-	49,016
State Grants	-	-	-
Federal Grants	188,002	-	188,002
Other Grants	6,000	-	6,000
Child Nutrition Program	132,636	-	132,636
Investment Income	12,769	-	12,769
Other Income	6,399	-	6,399
Net Assets Released from Restrictions	<u>16,637</u>	<u>(16,637)</u>	<u>-</u>
 Total Revenue and Other Support	 <u>3,085,468</u>	 <u>(16,637)</u>	 <u>3,068,831</u>
Expenses:			
Program Expenses:			
Regular Education	2,457,407	-	2,457,407
Special Education	<u>138,748</u>	<u>-</u>	<u>138,748</u>
 Total Program Expenses	 2,596,155	 -	 2,596,155
Supporting Service:			
Management and General	<u>533,631</u>	<u>-</u>	<u>533,631</u>
 Total Expenses	 <u>3,129,786</u>	 <u>-</u>	 <u>3,129,786</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
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other Support:			
Revenue - Student Enrollment	\$ 1,827,250	\$ -	\$ 1,827,250
Revenue - Students with Disabilities	33,164	-	33,164
State Grants	-	-	-
Federal Grants	110,329	-	110,329
Child Nutrition Program	87,692	-	87,692
Investment Income	1,356	-	1,356
Other Income	63,964	-	63,964
Net Assets Released from Restrictions	<u>431,104</u>	<u>(431,104)</u>	<u>-</u>
 Total Revenue and Other Support	 <u>2,554,859</u>	 <u>(431,104)</u>	 <u>2,123,755</u>
Expenses:			
Program Expenses:			
Regular Education	1,496,370	-	1,496,370
Special Education	<u>115,019</u>	<u>-</u>	<u>115,019</u>
 Total Program Expenses	 1,611,389	 -	 1,611,389
Supporting Service:			
Management and General	<u>319,258</u>	<u>-</u>	<u>319,258</u>
 Total Expenses	 <u>1,930,647</u>	 <u>-</u>	 <u>1,930,647</u>
Increase (Decrease) in Net Assets	624,212	(431,104)	193,108
Net Assets, Beginning of Year, as Restated	<u>477,921</u>	<u>447,741</u>	<u>925,662</u>
Net Assets, End of Year	<u>\$ 1,102,133</u>	<u>\$ 16,637</u>	<u>\$ 1,118,770</u>

ALBANY COMMUNITY CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash Flows Provided by Operating Activities:		
(Decrease) Increase in Net Assets	\$ (60,955)	\$ 193,108
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	57,554	36,090
Changes in Operating Assets and Liabilities:		
<u>(Increase) Decrease in Assets</u>		
Grants Receivable	98,840	125,574
Other Receivables	62,877	194,819
Inventory	(4,712)	(2,475)
Prepaid Expense	(22,477)	(61,145)
Utility Deposit	(3,660)	-
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	(13,920)	40,235
Accrued Payroll and Payroll Taxes	20,876	1,798
Deferred Revenue	(3,424)	3,424
Compensated Absences	<u>(2,220)</u>	<u>9,646</u>
Net Cash Provided by Operating Activities	<u>128,779</u>	<u>541,074</u>
Cash Flows Used in Investing Activities		
Purchase of Property and Equipment	<u>(134,845)</u>	<u>(97,584)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(6,066)	443,490
Cash and Cash Equivalents, Beginning of Fiscal Year	<u>799,668</u>	<u>356,178</u>
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 793,602</u>	<u>\$ 799,668</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>Management and General</u>	<u>Total</u>
Salaries	\$ 1,057,258	\$ 67,380	\$ 264,315	\$ 1,388,953
Benefits and Payroll Taxes	217,365	11,080	57,111	285,556
Contracted Services	51,607	2,631	13,560	67,798
Dues and Subscriptions	2,716	138	714	3,568
Educational Materials	56,649	2,888	-	59,537
Food (Breakfast/Lunch/Snack)	133,730	6,817	-	140,547
Insurance	28,587	1,457	7,511	37,555
Legal and Professional Services	31,184	1,589	8,193	40,966
Maintenance and Repairs	74,586	3,802	19,797	98,185
Marketing and Recruitment	21,777	1,110	5,722	28,609
Miscellaneous	2,468	124	449	3,041
Postage and Delivery	7,603	388	1,998	9,989
Printing/Copying	4,500	229	1,182	5,911
Professional Development	10,455	533	-	10,988
Rent	438,494	22,351	115,211	576,056
Supplies and Materials	49,565	2,526	13,023	65,114
Telephone/Internet	11,798	601	3,090	15,489
Transportation (Student)	174,265	8,883	-	183,148
Travel	1,214	62	319	1,595
Utilities	37,776	1,926	9,925	49,627
Depreciation	43,810	2,233	11,511	57,554
Total Expenses	<u>\$ 2,457,407</u>	<u>\$ 138,748</u>	<u>\$ 533,631</u>	<u>\$ 3,129,786</u>

ALBANY COMMUNITY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Program Services</u>		<u>Supporting Services</u>	<u>Total</u>
	<u>Regular Education</u>	<u>Special Education</u>	<u>Management and General</u>	
Salaries	\$ 688,575	\$ 52,908	\$ 185,371	\$ 926,854
Benefits and Payroll Taxes	133,405	10,257	35,916	179,578
Contracted Services	105,129	8,083	-	113,212
Dues and Subscriptions	1,931	149	520	2,600
Educational Materials	52,543	4,040	-	56,583
Food (Breakfast/Lunch/Snack)	81,155	6,240	-	87,395
Insurance	24,088	1,852	6,485	32,425
Legal and Professional Services	87,701	6,743	23,611	118,055
Maintenance and Repairs	42,644	3,279	11,480	57,403
Marketing and Recruitment	6,893	530	1,856	9,279
Miscellaneous	1,765	136	475	2,376
Postage and Delivery	1,391	107	374	1,872
Printing/Copying	1,738	134	467	2,339
Rent	127,440	9,799	34,310	171,549
Supplies and Materials	11,145	857	3,001	15,003
Telephone/Internet	7,939	610	2,138	10,687
Transportation (Student)	71,654	5,509	-	77,163
Travel	241	19	65	325
Utilities	22,182	1,706	5,971	29,859
Depreciation	<u>26,811</u>	<u>2,061</u>	<u>7,218</u>	<u>36,090</u>
Total Expenses	<u>\$ 1,496,370</u>	<u>\$ 115,019</u>	<u>\$ 319,258</u>	<u>\$ 1,930,647</u>

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 on 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.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

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)

Accounts and Grants Receivable

The School utilizes the allowance method to determine the allowance for doubtful accounts. At June 30, 2009 and 2008 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, 2009 and 2008.

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, 2009 and 2008, 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.

3. PROPERTY AND EQUIPMENT

Property and equipment are reflected at historical cost, net of related depreciation, and are comprised of the following at June 30, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Equipment	\$ 139,604	\$ 109,833
Furniture/Fixtures	159,298	54,224
Leasehold Improvements	<u>50,565</u>	<u>50,565</u>
Total at Cost	349,467	214,622
Less: Accumulated Depreciation	<u>120,438</u>	<u>62,884</u>
	<u>\$ 229,029</u>	<u>\$ 151,738</u>

Depreciation expense was \$57,554 and \$36,090 for the years ended June 30, 2009 and 2008, respectively.

4. RENTAL OF FACILITY

The School currently leases their building through November 30, 2009 from the Brighter Choice Foundation which is located in Albany, New York. Occupancy costs of the lease for the year ended June 30, 2009 and 2008 were \$576,056 and \$171,549, respectively.

The School is currently planning a building project for the next fiscal year which will include four additional classrooms, three offices and expansion of the gymnasium. Facility rental costs are estimated at \$705,000 for the year ending June 30, 2010.

5. 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 year then ended June 30, 2009 was approximately \$2,900.

6. 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. Statement of Financial Accounting Standards No. 105 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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JOHN A. CIMINO, CPA, OF COUNSEL

**INDEPENDENT AUDITOR'S 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
Albany Community Charter School
Albany, New York

We have audited the financial statements of Albany Community Charter School as of and for the year ended June 30, 2009, and have issued our report thereon dated August 27, 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 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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.



CUSACK & COMPANY, CPA’S LLC

Latham, New York
August 27, 2009