



ALBANY COMMUNITY CHARTER SCHOOL

*FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION*

JUNE 30, 2013 AND 2012

ALBANY COMMUNITY CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Albany Community Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of Albany Community Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 13-14 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 20 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2013, on our consideration of the Organization'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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
November 1, 2013

ALBANY COMMUNITY CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current Assets		
Cash	\$ 2,007,574	\$ 1,214,845
Cash - Designated	1,000,000	1,000,000
Grants and Contracts Receivable	77,808	117,112
Accounts Receivable	607,128	270,385
Inventory	22,504	17,920
Prepaid Expenses	<u>138,902</u>	<u>445,425</u>
Total Current Assets	3,853,916	3,065,687
Property and Equipment - Net	438,985	215,883
Other Assets		
Security Deposits	<u>-</u>	<u>157,500</u>
Total Assets	<u>\$ 4,292,901</u>	<u>\$ 3,439,070</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 196,554	\$ 215,499
Accrued Payroll and Benefits	599,511	473,381
Compensated Absences	<u>13,861</u>	<u>12,709</u>
Total Current Liabilities	<u>809,926</u>	<u>701,589</u>
Net Assets		
Unrestricted		
Undesignated	2,482,975	1,737,481
Designated	<u>1,000,000</u>	<u>1,000,000</u>
Total Unrestricted	<u>3,482,975</u>	<u>2,737,481</u>
Total Liabilities and Net Assets	<u>\$ 4,292,901</u>	<u>\$ 3,439,070</u>

ALBANY COMMUNITY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Revenue

Public School District	
Resident Student Enrollment	\$ 6,705,699
Students with Disabilities	98,966
Grants and Contracts	
Federal Grants	283,649
Food Service/Children Nutrition Program	<u>364,142</u>
Total Revenue	<u>7,452,456</u>

Expenses

Program Services	
Regular Education	4,613,854
Special Education	648,645
Other Programs	<u>760,024</u>
Total Program Services	6,022,523
Management and General	<u>705,078</u>
Total Operating Expenses	<u>6,727,601</u>
Surplus from School Operations	<u>724,855</u>

Other Revenue

Fundraising	266
Interest Income	5,103
E-rate Income	9,944
Miscellaneous Income	<u>5,326</u>
Total Other Revenue	<u>20,639</u>

Increase in Net Assets	745,494
Net Assets, Beginning of Year, as Restated	<u>2,737,481</u>
Net Assets, End of Year	<u>\$ 3,482,975</u>

ALBANY COMMUNITY CHARTER SCHOOL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

Revenue

Public School District

Resident Student Enrollment \$ 5,680,544

Students with Disabilities 31,782

Grants and Contracts

Federal Grants 219,486

Food Service/Children Nutrition Program 292,855

Total Revenue 6,224,667

Expenses

Program Services

Regular Education 3,473,725

Special Education 558,083

Other Programs 710,898

Total Program Services 4,742,706

Management and General

469,268

Total Operating Expenses 5,211,974

Surplus from School Operations 1,012,693

Other Revenue

Fundraising 1,103

Interest Income 3,525

E-rate Income 48,849

Miscellaneous Income 36,271

Total Other Revenue 89,748

Increase in Net Assets 1,102,441

Net Assets, Beginning of Year, as Restated 1,635,040

Net Assets, End of Year, as Restated \$ 2,737,481

ALBANY COMMUNITY CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows Provided by Operating Activities:		
Increase in Net Assets	\$ 745,494	\$ 1,102,441
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	74,801	64,745
Loss on Asset Dispositions	-	3,465
Changes in Operating Assets and Liabilities:		
<u>(Increase) Decrease in Assets</u>		
Grants and Contracts Receivable	39,304	(61,963)
Accounts Receivable	(336,743)	401,550
Inventory	(4,584)	1,849
Prepaid Expense	306,523	(357,059)
Security Deposits	157,500	3,660
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	(18,945)	110,204
Accrued Payroll and Benefits	126,130	63,539
Compensated Absences	<u>1,152</u>	<u>6,044</u>
Net Cash Provided by Operating Activities	1,090,632	1,338,475
Cash Flows Used in Investing Activities		
Purchase of Property and Equipment	<u>(297,903)</u>	<u>(96,246)</u>
Net Increase in Cash and Cash Equivalents	792,729	1,242,229
Cash and Cash Equivalents, Beginning of Year	<u>2,214,845</u>	<u>972,616</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,007,574</u>	<u>\$ 2,214,845</u>

ALBANY COMMUNITY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

1. ORGANIZATION AND PURPOSE

Organization

Albany Community Charter School (the “School”) is a New York not-for-profit organization preparing students for a lifetime of opportunity by helping them master a 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.

During the 2012-2013 school year, the School had an annualized full-time enrollment of approximately 400 students in grades K through 5.

The School is governed by a Board of Trustees in accordance with the School’s by-laws. The School is a member of the Brighter Choice Foundation, which provides start-up grants, school facilities, revolving loan funds and technical assistance to area charter schools.

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. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION

Financial Statement Presentation

The following summarizes the significant accounting policies consistently applied in the preparation of the School’s financial statements, with references to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) where applicable.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with FASB ASC “Financial Statements of Not-for-Profit Organizations” utilizing the accrual basis of accounting. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Support and Revenue

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. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Support and Revenue (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

A number of unpaid volunteers have made contributions of their time. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation and it does not meet the reporting requirements of the accounting standards.

Grants, Contracts and Receivables

The School utilizes the allowance method to determine the allowance for doubtful accounts. At June 30, 2013 and 2012 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, 2013 and 2012.

Property, Equipment and Depreciation

Acquisitions of property and equipment in excess of \$500 are capitalized and recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs not improving or extending the lives of property and equipment is charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statements of activities. Depreciation is provided over the estimated useful life of each class of depreciable assets (ranging from 3 to 15 years) and is computed using the straight-line method.

Conditional and Unconditional Promises to Give

At June 30, 2013 and 2012, the School had not received any conditional or unconditional promises to give.

2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

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

For assets and liabilities measured at fair value on a recurring basis, the Accounting Standards Codification requires expanded disclosures about fair value measurements and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that the School would receive upon selling an asset or be paid to transfer a liability in an orderly transaction between market participants. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The School has no assets or liabilities measured at fair value on a recurring basis.

Accounting for Uncertainty in Income Taxes

The Accounting Standards Codification requires entities to disclose in their financial statements the nature of any uncertainty in their tax position. The School has not recognized any benefits from uncertain tax positions in 2011 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. Generally, federal, state and local authorities may examine the School's tax-exempt returns for three years from the date of filing; consequently, income tax returns for years prior to 2009 are no longer subject to examination by taxing authorities.

2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION(CONTINUED)

Subsequent Events

The School has adopted ASC 855, *Subsequent Events*, which establishes general standards of accounting for, and disclosures of, events that occur after the due date of the financial statements but before the financial statements are issued or are available to be issued. In the preparation of these financial statements and notes thereto, management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through November 1, 2013, the date the financial statements were available to be issued. No such events or transactions were identified.

Cash and Cash Equivalents

For purposes of balance sheet classification and the statement of cash flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less and any certificates of deposit that do not contain material early withdrawal penalties to be cash equivalents. Designated cash represents funds set aside by Board action for future expansion plans.

Advertising Costs

The School expenses advertising costs as they are incurred. Advertising costs for the years ended June 30, 2013 and 2012, were \$15,161 and \$9,800, respectively.

Reclassification

Certain 2012 amounts have been reclassified to conform with the current year presentation.

3. GRANTS, CONTRACTS AND ACCOUNTS RECEIVABLE

At June 30, 2013 and 2012, grants, contracts and accounts receivable were comprised of the following funding sources:

	<u>2013</u>	<u>2012</u>
School District Tuition	\$ 585,580	\$ 270,036
U.S. Department of Agriculture	69,616	32,086
U.S. Department of Education	8,192	85,026
Other Receivables	<u>21,548</u>	<u>349</u>
	<u><u>\$ 684,936</u></u>	<u><u>\$ 387,497</u></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, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Equipment	\$ 241,231	\$ 208,886
Furniture/Fixtures	337,189	216,318
Leasehold Improvements	<u>215,763</u>	<u>71,076</u>
Total at Cost	794,183	496,280
Less: Accumulated Depreciation	<u>(355,198)</u>	<u>(280,397)</u>
	<u>\$ 438,985</u>	<u>\$ 215,883</u>

Depreciation expense was \$74,801 and \$64,745 for the years ended June 30, 2013 and 2012, respectively.

5. FACILITIES RENTAL

The School leases their primary facilities through June 30, 2018 from the Brighter Choice Foundation. Occupancy costs of the lease for the year ended June 30, 2013 and 2012 were \$1,094,293 and \$723,300, respectively.

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

2014	\$ 1,103,300
2015	\$ 1,112,300
2016	\$ 1,121,300
2017	\$ 1,130,300
2018	\$ 1,180,000

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, 2013 and 2012 was \$42,913 and \$35,850, respectively.

7. CONCENTRATION OF RISK

The School receives a substantial portion of its funding from school districts where students reside. Three school districts comprised approximately 91% and 83% of total revenue and support for the years ended June 30, 2013 and 2012, respectively. No other funding sources accounted for more than 10% of total revenue and support.

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.

The School is subject to audits and reviews of reimbursable costs by various governmental agencies. The outcome of the audits and reviews may have the effect of retroactively increasing or decreasing revenue from various sources. These charges, if any, will be recognized in accordance with the rules and guidelines established by the various funding sources.

8. RESTATEMENT OF UNRESTRICTED NET ASSETS

The School's net assets as of June 30, 2011 and 2012 have been restated to correct the financial statements for the following expense activity:

Net Assets as of June 30, 2011, as Originally Reported	\$ 1,829,005
Accrued Teacher Summer Payroll, Underreported	<u>(193,965)</u>
Net Assets as of June 30, 2011, as Restated	<u>\$ 1,635,040</u>
Increase in Net Assets for June 30, 2012, as Originally Reported	\$ 1,135,908
Accrued Teacher Summer Payroll, Underreported	<u>(33,467)</u>
Net Assets as of June 30, 2012, as Restated	<u>\$ 2,737,481</u>

OTHER FINANCIAL INFORMATION

ALBANY COMMUNITY CHARTER SCHOOL
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Program Services</u>			<u>Supporting Services</u>		
	<u>Regular Education</u>	<u>Special Education</u>	<u>Other Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Total</u>
Administrative Personnel	\$ 100,186	\$ -	\$ -	\$ 100,186	\$ 400,744	\$ 500,930
Instructional Personnel	2,196,180	303,243	-	2,499,423	-	2,499,423
Non-Instructional Personnel	<u>-</u>	<u>-</u>	<u>128,058</u>	<u>128,058</u>	<u>53,570</u>	<u>181,628</u>
Total Salaries	2,296,366	303,243	128,058	2,727,667	454,314	3,181,981
Fringe Benefits and Payroll Taxes	515,329	64,457	-	579,786	96,568	676,354
Retirement	32,696	4,090	-	36,786	6,127	42,913
Legal Service	1,026	128	-	1,154	192	1,346
Accounting and Audit Services	10,053	1,257	-	11,310	1,884	13,194
Other Purchased, Professional and Consulting Services	102,596	68,365	-	170,961	28,475	199,436
Building and Land Lease	833,767	104,286	97,893	1,035,946	58,347	1,094,293
Repairs and Maintenance	231,788	28,992	27,214	287,994	16,221	304,215
Insurance	49,004	6,129	5,754	60,887	3,429	64,316
Utilities	58,142	7,272	6,826	72,240	4,069	76,309
Supplies and Materials	114,556	14,329	14,007	142,892	13,687	156,579
Equipment and Furnishings	2,525	316	-	2,841	473	3,314
Staff Development	22,759	2,847	-	25,606	-	25,606
Marketing and Recruitment	11,551	1,445	-	12,996	2,165	15,161
Technology	15,468	1,935	-	17,403	2,899	20,302
Food Service	-	-	194,069	194,069	-	194,069
Student Services	194,964	24,386	279,706	499,056	-	499,056
Office Expense	55,335	6,921	6,497	68,753	3,872	72,625
Depreciation and Other	<u>65,929</u>	<u>8,247</u>	<u>-</u>	<u>74,176</u>	<u>12,356</u>	<u>86,532</u>
Total Expenses	<u>\$ 4,613,854</u>	<u>\$ 648,645</u>	<u>\$ 760,024</u>	<u>\$ 6,022,523</u>	<u>\$ 705,078</u>	<u>\$ 6,727,601</u>

ALBANY COMMUNITY CHARTER SCHOOL
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Program Services</u>			<u>Supporting Services</u>		
	<u>Regular Education</u>	<u>Special Education</u>	<u>Other Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Total</u>
Administrative Personnel	\$ 159,995	\$ -	\$ -	\$ 159,995	\$ 313,033	\$ 473,028
Instructional Personnel	1,716,540	263,296	-	1,979,836	-	1,979,836
Non-Instructional Personnel	<u>7,882</u>	<u>-</u>	<u>-</u>	<u>7,882</u>	<u>17,967</u>	<u>25,849</u>
Total Salaries	1,884,417	263,296	-	2,147,713	331,000	2,478,713
Fringe Benefits and Payroll Taxes	399,374	55,738	-	455,112	70,799	525,911
Retirement	27,205	3,797	-	31,002	4,848	35,850
Legal Service	355	50	-	405	63	468
Accounting and Audit Services	7,911	1,104	-	9,015	1,410	10,425
Other Purchased, Professional and Consulting Services	113,460	88,793	-	202,253	17,743	219,996
Building and Land Lease	548,873	76,613	81,723	707,209	16,091	723,300
Repairs and Maintenance	129,263	18,043	19,246	166,552	3,790	170,342
Insurance	39,858	5,563	5,934	51,355	1,168	52,523
Utilities	38,362	5,355	5,712	49,429	1,125	50,554
Supplies and Materials	56,498	7,886	9,144	73,528	7,405	80,933
Staff Development	10,548	1,472	-	12,020	-	12,020
Marketing and Recruitment	7,437	1,038	-	8,475	1,325	9,800
Technology	5,590	780	-	6,370	996	7,366
Food Service	-	-	316,574	316,574	-	316,574
Student Services	117,361	16,382	268,527	402,270	-	402,270
Office Expense	27,119	3,785	4,038	34,942	795	35,737
Depreciation and Other	<u>60,094</u>	<u>8,388</u>	<u>-</u>	<u>68,482</u>	<u>10,710</u>	<u>79,192</u>
Total Expenses	<u>\$ 3,473,725</u>	<u>\$ 558,083</u>	<u>\$ 710,898</u>	<u>\$ 4,742,706</u>	<u>\$ 469,268</u>	<u>\$ 5,211,974</u>

FEDERAL AWARD PROGRAM INFORMATION

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**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

We have audited, in accordance with the 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, the financial statements of the Albany Community Charter School (the “School”), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows as of and for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

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 School’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies [reference numbers 2013-1 through 2013-6].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which were described in the accompanying schedule of findings and questioned costs as items [reference numbers 2013-1 through 2013-6].

The School's Response to Findings

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
November 1, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Trustees
Albany Community Charter School

Report on Compliance for Each Major Federal Program

We have audited the Albany Community Charter School's (the "School") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2013. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items [reference numbers 2013-1 through 2013-6]. Our opinion on each major federal program is not modified with respect to these matters.

The School's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items [reference numbers 2013-1 through 2013-6], that we consider to be significant deficiencies.

The School's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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
November 1, 2013

ALBANY COMMUNITY CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity/Project Number</u>	<u>Federal Expenditures</u>
<u>Passed Through New York State Education Department:</u>			
<u>U.S. Department of Education</u>			
ESEA Title I	84.010	0021-13-4033	\$ 269,162
Improving Teacher Quality State Grants	84.367	0147-13-4033	<u>10,380</u>
Total U.S. Department of Education Passed Through New York State Education Department			<u>279,542</u>
<u>U.S. Department of Agriculture</u>			
School Breakfast Program	10.553	-	107,895
School Lunch Program	10.555	-	212,651
Fresh Fruit and Vegetable Program	10.582	0004-13-0013	<u>28,630</u>
Total U.S. Department of Agriculture Passed Through New York State Education Department			<u>349,176</u>
Total Federal Assistance			<u>\$ 628,718</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards was prepared on the accrual basis of accounting. Grant awards are recorded as revenue when the criteria for earning the revenue is met, generally when the expenditure of grant funds is made. Grant expenditures are recorded when the liability is incurred.

The amounts reported as federal expenditures on the schedule represent expenditures of federal funds as obtained from the appropriate federal financial reports for the applicable programs and periods. The non-federal share of expenditures, if any, is excluded from the schedule.

2. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

The Albany Community Charter School is an independent non-profit corporation. All federal grant operations of the School are included in the scope of the single audit.

ALBANY COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I — SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- “Going Concern” explanatory paragraph included in audit report? _____ Yes X No
- Significant deficiency disclosed? _____ Yes X No
- Significant deficiency(ies) reported as a material weakness? _____ Yes X None reported
- Material noncompliance disclosed? _____ Yes X No

Federal Awards

Internal Control over major programs:

- Significant deficiency disclosed for any major programs? X Yes _____ No
- Significant deficiency(ies) reported for any major programs as a material weakness? _____ Yes X None reported
- Any known questioned costs reported? X Yes _____ No

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X Yes _____ No

Identification of major programs:

<u>CFDA Number(s)</u> 10.553/10.555	<u>Name of Federal Program or Clusters</u> Child Nutrition Cluster
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Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II — FINANCIAL STATEMENT FINDINGS

N/A

SECTION III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See pages 23 and 24 for current year federal award findings and questioned costs.

SECTION IV — RESOLUTION OF PRIOR YEAR AUDIT FINDINGS

N/A

For the year ended June 30, 2013, we selected the Child Nutrition Cluster (CFDA Numbers 10.553 and 10.555) as a major program for the Albany Community Charter School's (the School) Single Audit. Our test work involved the inspection of 70 applications (Application for Free and Reduced Price School Meals/Milk) selected systematically (40), randomly (15) and internally (15 Income Verifications) testing various required attributes of the program. The current year findings below, in aggregate, are deemed to be significant deficiencies less than material but warrant the attention of those charged with governance.

Significant Deficiencies:

Criteria (1): Application must disclose income levels within established thresholds designated by the U.S. Department of Agriculture. Criteria (1) is applicable to findings 2013-1 through 2013-5. This criteria falls under Compliance Requirement E of Circular A-133, Eligibility.

Criteria (2): The School must select a pre-determined sample of applications and contact applicants for verification of income. If proof of income requires a change in the student's status in the program, the applicant must be notified and this action completed in the School's software system. Criteria (2) is applicable to finding 2013-6.

Recommendation: We recommend that the School establish a system of internal control which designates a person independent of the application, data entry or internal verification process to review each application for eligibility criteria. This person should also ensure authorized applications are posted correctly to the School's nutrition software. Recommendation is applicable to findings 2013-1 through 2013-6.

Corrective Action Plan (Management's Response to Recommendation):

Management has responded to the above referenced findings by implementing a secondary review of all applications by a person who is independent of the School Lunch function. Management believes this will help to identify mistakes before being posted to the School's nutrition program.

Reference Number: 2013-1:

Statement of Condition: Application for Free and Reduced Price School Meals/Milk was incorrectly approved for Reduced Meal Plan. Student received benefits under the Reduced Meal Plan but should have been denied due to income listed on the application in excess of USDA guidelines.

Reference Number: 2013-2:

Statement of Condition: Application for Free and Reduced Price School Meals/Milk was correctly approved for Reduced Meal Plan but student received benefits under the Free Meal Plan.

Reference Number: 2013-3:

Statement of Condition: Application for Free and Reduced Price School Meals/Milk was correctly approved for Reduced Meal Plan but student received benefits under the Free Meal Plan.

Reference Number: 2013-4:

Statement of Condition: Application for Free and Reduced Price School Meals/Milk was incorrectly approved for Reduced Meal Plan. Student received benefits under the Reduced Meal Plan but should have been denied due to income listed on the application in excess of USDA guidelines.

Reference Number: 2013-5:

Statement of Condition: Applications are kept in a binder separated by type of meal plan and further organized by student in alphabetical order. During our test work it was noted that a separate folder was maintained with applications (less than 25) that were unfiled, unfinished or otherwise had no indication as to status. A few of the applications tested were found in this folder, however these items should have been better organized and maintained in the binder with the processed applications.

Reference Number: 2013-6:

Statement of Condition: Under USDA guidelines, organizations which are recipients of Child Nutrition funding are required to complete income verification for a pre-determined sample size of applications. The sample size selected by the School was the lesser of 3% of total applications or 3,000, resulting in 15 applications. The income verification process involves contacting the applicant to provide verification of income listed on their original applications and changes to the meal plan must be made based on updated information if necessary. We reviewed all 15 income verifications noting 3 replies were not received and it did not appear the School followed up with the applicants or changed their status to terminate meal plans for non-response. We also noted 2 replies indicated the need for a status change which was not completed.

Questioned Costs:

486 applications were received by the School and of those we selected 70 to test. From our test work we further noted 9 applications which had findings and were incorrect, or 12.86% of our sample. Federal funding of the Child Nutrition program for the year ending June 30, 2013 was \$320,546. We have identified likely questioned costs of approximately \$41,000, which was quantified by projecting the incorrect findings over the Child Nutrition Program as a whole. The amount of likely questioned costs is a reasonable estimate of the potential inaccuracy of the program, although the amount is not material to the financial statements.