

**BEDFORD STUYVESANT COLLEGIATE  
CHARTER SCHOOL**

**BROOKLYN, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**

**REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

**AND**

**INDEPENDENT AUDITORS' REPORTS**

**JUNE 30, 2011**

**(With Comparative Totals for 2010)**

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## MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

### INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Bedford Stuyvesant Collegiate Charter School

We have audited the accompanying statement of financial position of Bedford Stuyvesant Collegiate Charter School as of June 30, 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of Bedford Stuyvesant Collegiate Charter School as of June 30, 2010 and for the year then ended and, in our report dated October 28, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bedford Stuyvesant Collegiate Charter School as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2011 on our consideration of Bedford Stuyvesant Collegiate Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mengel, Metzger, Barw & Co. LLP*

Rochester, New York  
October 24, 2011

BEDFORD STUYVESANT COLLEGIATE CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

(With Comparative Totals for 2010)

| <u>ASSETS</u>                          | <u>June 30,</u>     |                    |
|--|---------------------|--------------------|
|  | <u>2011</u>         | <u>2010</u>        |
| <u>CURRENT ASSETS</u>                  |                     |                    |
| Cash                                   | \$ 663,941          | \$ 124,121         |
| Grants and other receivables           | 129,566             | 222,248            |
| Prepaid expenses                       | <u>17,906</u>       | <u>10,745</u>      |
| TOTAL CURRENT ASSETS                   | 811,413             | 357,114            |
| <br><u>PROPERTY AND EQUIPMENT, net</u> | <br><u>292,790</u>  | <br><u>305,836</u> |
| TOTAL ASSETS                           | <u>\$ 1,104,203</u> | <u>\$ 662,950</u>  |
| <br><u>LIABILITIES AND NET ASSETS</u>  |                     |                    |
| <u>CURRENT LIABILITIES</u>             |                     |                    |
| Accounts payable and accrued expenses  | \$ 192,587          | \$ 115,072         |
| <br><u>NET ASSETS, unrestricted</u>    |                     |                    |
| Designated for building fund           | 585,000             | 200,000            |
| Undesignated                           | <u>326,616</u>      | <u>347,878</u>     |
|  | <u>911,616</u>      | <u>547,878</u>     |
| TOTAL LIABILITIES AND NET ASSETS       | <u>\$ 1,104,203</u> | <u>\$ 662,950</u>  |

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

BEDFORD STUYVESANT COLLEGIATE CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

JUNE 30, 2011

(With Comparative Totals for 2010)

|  | <u>Year ended June 30,</u> |                   |
|--|----------------------------|-------------------|
|  | <u>2011</u>                | <u>2010</u>       |
| Operating revenue and support:               |                            |                   |
| State and local per pupil operating revenue  | \$ 2,929,516               | \$ 1,803,082      |
| Government grants                            | 354,236                    | 446,507           |
| Contributions                                | 7,002                      | 177,856           |
| Other income                                 | <u>101</u>                 | <u>7,073</u>      |
| TOTAL OPERATING REVENUE AND SUPPORT          | 3,290,855                  | 2,434,518         |
| Expenses:                                    |                            |                   |
| Program services - education                 | 2,576,849                  | 1,914,292         |
| General and administrative                   | <u>350,268</u>             | <u>301,280</u>    |
| TOTAL EXPENSES                               | <u>2,927,117</u>           | <u>2,215,572</u>  |
| CHANGE IN NET ASSETS                         | 363,738                    | 218,946           |
| Unrestricted net assets at beginning of year | <u>547,878</u>             | <u>328,932</u>    |
| UNRESTRICTED NET ASSETS AT END OF YEAR       | <u>\$ 911,616</u>          | <u>\$ 547,878</u> |

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

BEDFORD STUYVESANT COLLEGIATE CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

JUNE 30, 2011

(With Comparative Totals for 2010)

|   | Year ended June 30,              |                   |                     | 2010                |
|---|----------------------------------|-------------------|---------------------|---------------------|
|   | 2011                             | 2011              | 2011                |                     |
| Program<br>services -<br>education        | General<br>and<br>administrative | Total             | Total               |                     |
| Salaries                                  | \$ 1,627,787                     | \$ 154,355        | \$ 1,782,142        | \$ 1,391,066        |
| Payroll taxes and employee benefits       | 273,070                          | 25,894            | 298,964             | 233,205             |
| Occupancy                                 | 10,306                           | -                 | 10,306              | 2,990               |
| Repairs and maintenance                   | 43,795                           | 636               | 44,431              | 3,064               |
| Textbooks                                 | 2,216                            | -                 | 2,216               | -                   |
| Instructional supplies<br>and assessments | 41,989                           | -                 | 41,989              | 62,178              |
| Computer and technology support           | 88,234                           | -                 | 88,234              | 53,744              |
| Student enrichment and services           | 51,481                           | -                 | 51,481              | 40,278              |
| Professional development                  | 59,817                           | -                 | 59,817              | 69,244              |
| Professional services                     | -                                | 28,495            | 28,495              | 13,205              |
| Telephone                                 | -                                | 26,668            | 26,668              | 19,672              |
| Insurance                                 | -                                | 29,064            | 29,064              | 26,051              |
| Management fees                           | 262,452                          | 46,315            | 308,767             | 195,291             |
| Office expense                            | 14,726                           | 31,115            | 45,841              | 34,785              |
| Depreciation and amortization             | 100,929                          | 2,300             | 103,229             | 63,812              |
| Bad debt expense                          | 47                               | -                 | 47                  | -                   |
| Other                                     | -                                | 5,426             | 5,426               | 6,987               |
|   | <u>\$ 2,576,849</u>              | <u>\$ 350,268</u> | <u>\$ 2,927,117</u> | <u>\$ 2,215,572</u> |

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

BEDFORD STUYVESANT COLLEGIATE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

JUNE 30, 2011

(With Comparative Totals for 2010)

|   | <u>Year ended June 30,</u> |                   |
|---|----------------------------|-------------------|
|   | <u>2011</u>                | <u>2010</u>       |
| <u>CASH FLOWS - OPERATING ACTIVITIES</u>  |                            |                   |
| Change in net assets  | \$ 363,738                 | \$ 218,946        |
| Adjustments to reconcile change in net assets to net cash provided from operating activities: |                            |                   |
| Depreciation and amortization   | 103,229                    | 63,812            |
| Bad debts   | 47                         | -                 |
| Changes in certain assets and liabilities affecting operations:                               |                            |                   |
| Grants and other receivables  | 92,635                     | (44,991)          |
| Prepaid expenses  | (7,161)                    | (5,367)           |
| Accounts payable and accrued expenses   | 77,515                     | 32,241            |
| Deferred revenue  | -                          | (130,000)         |
| NET CASH PROVIDED FROM OPERATING ACTIVITIES   | <u>630,003</u>             | <u>134,641</u>    |
| <u>CASH FLOWS - INVESTING ACTIVITIES</u>  |                            |                   |
| Purchases of property and equipment   | <u>(90,183)</u>            | <u>(234,156)</u>  |
| NET CASH USED FOR INVESTING ACTIVITIES  | <u>(90,183)</u>            | <u>(234,156)</u>  |
| NET INCREASE (DECREASE) IN CASH   | 539,820                    | (99,515)          |
| Cash at beginning of year   | <u>124,121</u>             | <u>223,636</u>    |
| CASH AT END OF YEAR   | <u>\$ 663,941</u>          | <u>\$ 124,121</u> |

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

BEDFORD STUYVESANT COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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

The Charter School

Bedford Stuyvesant Collegiate Charter School (the “Charter School”), is an educational corporation operating as a charter school in the borough of Brooklyn, New York City. On January 15, 2008, the Board of Regents of the University of the State of New York granted the Charter School a provisional charter valid for a term of five years and renewable upon expiration.

The Charter School’s mission is to prepare each student for college.

Financial Statement presentation

The financial statements of the Charter School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

These classes of net assets are defined as follows:

*Permanently restricted* – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2011 and 2010.

*Temporarily restricted* – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. The Charter School had no temporarily restricted net assets at June 30, 2011 and 2010.

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

Revenue and support recognition

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

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

BEDFORD STUYVESANT COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

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

Cont'd

Contributions

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

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash

The Charter School maintains its cash balances at a financial institution located in New York. Cash account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at the institution. In addition, certain non-interest bearing transaction accounts at the financial institution are 100% insured through December 31, 2012. In the normal course of business, the interest bearing account balances at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2011 and 2010.

Property and equipment

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

Tax exempt status

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

The Charter School has filed for and received income tax exemptions in the jurisdictions where it is required to do so. The Charter School files Form 990 tax returns in the U.S. federal jurisdiction. The tax returns for the years ended June 30, 2009 through June 30, 2011 are still subject to potential audit by the IRS. The Charter School adopted the provisions of FASB ASC 740-10 Accounting for Uncertainty in Income Taxes (formerly FIN 48), and its related amendment on July 1, 2009. Management of the Charter School believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

BEDFORD STUYVESANT COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

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

Cont'd

Contributed services

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

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparatives for year ended June 30, 2010

The financial statements include certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Charter School's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 24, 2011, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: RELATED PARTY TRANSACTIONS

Uncommon Schools, Inc. ("USI"), a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Charter School. The Charter School entered into a five year agreement with USI, dated July 1, 2008, under which the Charter School pays USI a service fee of a set percentage of the average number of students enrolled at the Charter School during the school year multiplied by the approved per pupil operating expenses for the school year, and a percentage of all other public entitlement funding receivable during the fiscal year, excluding in-kind contributions and funds from competitive public grants. This percentage is fixed at 10% for years 1-3, decreasing to 9.5% in year 4 and 9% in year 5. The fee incurred for the years ended June 30, 2011 and 2010 was \$308,767 and \$195,291, respectively. At June 30, 2011 and 2010, approximately \$68,900 and \$62,900, respectively, were included in accounts payable relating to USI.

The Charter School is related to Brownsville Collegiate Charter School, Ocean Hill Collegiate Charter School, Brooklyn East Collegiate Charter School, Kings Collegiate Charter School and Williamsburg Collegiate Charter School through common Board representation. As none of the schools have an economic interest in the net assets of any other school, the facts do not require consolidation of any of these schools with the Charter School in accordance with FASB ASC 958-810 (formerly SOP 94-3 "Reporting of Related Entities by Not-For-Profit Organizations").

BEDFORD STUYVESANT COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

NOTE C: SCHOOL FACILITY

The Charters School is located in a New York City Department of Education facility. At June 30, 2011 and 2010, the Board of Trustees has designated \$585,000 and \$200,000, respectively, as a building fund to meet future needs of the Charter School. During the years ended June 30, 2011 and 2010, the Charter School paid a fee to the New York City Department of Education for additional after-school and weekend usage amounting to approximately \$10,300 and \$3,000, respectively.

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

|  | June 30,          |                   |
|--|-------------------|-------------------|
|  | <u>2011</u>       | <u>2010</u>       |
| Furniture and fixtures                         | \$ 107,321        | \$ 107,321        |
| Computers and software                         | 250,143           | 209,013           |
| Leasehold improvements                         | <u>124,747</u>    | <u>75,694</u>     |
|  | 482,211           | 392,028           |
| Less accumulated depreciation and amortization | <u>189,421</u>    | <u>86,192</u>     |
|  | <u>\$ 292,790</u> | <u>\$ 305,836</u> |

NOTE E: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. The Charter School matches employees' contributions up to 3% of gross payroll. The Charter School's total contribution to the Plan for the years ended June 30, 2011 and 2010 approximated \$24,900 and \$22,400, respectively.

NOTE F: CONTINGENCY

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

BEDFORD STUYVESANT COLLEGIATE CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

NOTE G: CONCENTRATION

At June 30, 2011 and 2010, 66% and 100%, respectively, of accounts receivable are due from New York State.

During the years ended June 30, 2011 and 2010, 89% and 74%, respectively, of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School is located.

NOTE H: OPERATING LEASES

The Charter School leases office equipment under non-cancelable lease agreements expiring through August 2012. The future minimum payments on these agreements are as follows:

| <u>Year ending June 30,</u> | <u>Amount</u>   |
|-----------------------------|-----------------|
| 2012                        | \$ 7,589        |
| 2013                        | <u>973</u>      |
|                             | <u>\$ 8,562</u> |

**BEDFORD STUYVESANT COLLEGIATE CHARTER SCHOOL**

**REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS**



## MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

### INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Bedford Stuyvesant Collegiate Charter School

We have audited the financial statements of Bedford Stuyvesant Collegiate Charter School (the "Charter School") as of June 30, 2011 and for the year then ended, and have issued our report thereon dated October 24, 2011. 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 Bedford Stuyvesant Collegiate 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 Bedford Stuyvesant Collegiate Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over financial reporting.

A 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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the 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 Bedford Stuyvesant Collegiate 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*.

We noted certain matters that we reported to management of Bedford Stuyvesant Collegiate Charter School in a separate letter dated October 24, 2011.

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

*Mengel, Metzger, Barw & Co. LLP*

Rochester, New York  
October 24, 2011