

EXCELLENCE GIRLS CHARTER SCHOOL

BROOKLYN, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

**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
Excellence Girls Charter School

We have audited the accompanying statement of financial position of Excellence Girls 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 Excellence Girls Charter School as of June 30, 2010 and for the period from October 21, 2008 (date of inception) to June 30, 2010, and in our report dated October 13, 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. An audit 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 Excellence Girls 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 18, 2011 on our consideration of Excellence Girls Charter School's internal control over financial reporting and on 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 18, 2011

EXCELLENCE GIRLS 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	\$ 855,899	\$ 188,367
Grants and other receivables	137,881	403,059
Prepaid expenses	58,086	3,367
TOTAL CURRENT ASSETS	<u>1,051,866</u>	<u>594,793</u>
<u>PROPERTY AND EQUIPMENT, net</u>	<u>459,905</u>	<u>510,083</u>
TOTAL ASSETS	<u>\$ 1,511,771</u>	<u>\$ 1,104,876</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 150,565	\$ 123,476
Deferred revenue	-	100,000
TOTAL CURRENT LIABILITIES	<u>150,565</u>	<u>223,476</u>
<u>NET ASSETS, unrestricted</u>	<u>1,361,206</u>	<u>881,400</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,511,771</u>	<u>\$ 1,104,876</u>

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

EXCELLENCE GIRLS CHARTER SCHOOL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

JUNE 30, 2011

(With Comparative Totals for 2010)

	Year ended June 30, 2011	Period from October 21, 2008 (date of inception) to June 30, 2010
Operating revenue and support:		
State and local per pupil operating revenue	\$ 3,151,603	\$ 1,815,905
Government grants	224,201	939,400
Contributions	222,755	613,883
Other income	96	38
TOTAL OPERATING REVENUE AND SUPPORT	<u>3,598,655</u>	<u>3,369,226</u>
Expenses:		
Program services - education	2,746,832	2,056,696
General and administrative	372,017	431,130
TOTAL EXPENSES	<u>3,118,849</u>	<u>2,487,826</u>
CHANGE IN NET ASSETS	479,806	881,400
Unrestricted net assets at beginning of year	<u>881,400</u>	<u>-</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 1,361,206</u>	<u>\$ 881,400</u>

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

EXCELLENCE GIRLS CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

JUNE 30, 2011

(With Comparative Totals for 2010)

	<u>Year ended June 30, 2011</u>			<u>Period from October 21, 2008 (date of inception) to June 30, 2010</u>
	<u>Program services - education</u>	<u>General and administrative</u>	<u>Total</u>	<u>Total</u>
Salaries	\$ 1,529,009	\$ 149,800	\$ 1,678,809	\$ 1,303,502
Payroll taxes and employee benefits	268,230	25,362	293,592	246,102
Repairs and maintenance	35,340	14,023	49,363	92,974
Instructional supplies and assessments	140,455	-	140,455	171,261
Computer and technology support	81,040	-	81,040	49,591
Student enrichment and services	130,302	-	130,302	47,384
Professional development	152,316	-	152,316	145,449
Professional services	-	15,948	15,948	18,890
Telephone	-	25,506	25,506	23,753
Insurance	-	26,938	26,938	28,983
Management fees	278,211	49,096	327,307	195,405
Office expense	6,360	54,226	60,586	78,791
Depreciation and amortization	124,646	2,071	126,717	78,751
Other	923	9,047	9,970	6,990
	<u>\$ 2,746,832</u>	<u>\$ 372,017</u>	<u>\$ 3,118,849</u>	<u>\$ 2,487,826</u>

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

EXCELLENCE GIRLS CHARTER SCHOOL

STATEMENT OF CASH FLOWS

JUNE 30, 2011

(With Comparative Totals for 2010)

	Year ended June 30, 2011	Period from October 21, 2008 (date of inception) to June 30, 2010
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 479,806	\$ 881,400
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	126,717	78,751
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	265,178	(403,059)
Prepaid expenses	(54,719)	(3,367)
Accounts payable and accrued expenses	27,089	123,476
Deferred revenue	(100,000)	100,000
NET CASH PROVIDED FROM OPERATING ACTIVITIES	744,071	777,201
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(76,539)	(588,834)
NET CASH USED FOR INVESTING ACTIVITIES	(76,539)	(588,834)
NET INCREASE IN CASH	667,532	188,367
Cash at beginning of year	188,367	-
CASH AT END OF YEAR	<u>\$ 855,899</u>	<u>\$ 188,367</u>

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

EXCELLENCE GIRLS 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

Excellence Girls Charter School (the “Charter School”), is an educational corporation operating as a charter school in the borough of Brooklyn, New York City. On October 21, 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 students to enter, succeed in and graduate from outstanding college preparatory high schools and from 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 or 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 or 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.

EXCELLENCE GIRLS 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 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 balance 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 any 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 or 2010.

Property and equipment

Property and equipment are recorded at cost. Depreciation 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.

Deferred revenue

The Charter School records grant revenue as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue.

EXCELLENCE GIRLS 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

Tax exempt status

The Charter School has applied for and is currently awaiting receipt of tax-exempt status under section 501(c)(3) of the Internal Revenue Code and applicable state regulations. The Charter School believes it will be awarded tax-exempt status and, therefore, has not recorded any income tax expense for the period ended June 30, 2011.

The Charter School has filed for income tax exemptions in the jurisdictions where it is required to do so. The Charter School files 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.

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 period 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 period 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 18, 2011, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

EXCELLENCE GIRLS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

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, 2009, under which the Charter School pays USI a service fee of 10% 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 10% of all other public entitlement funding receivable during the fiscal year, excluding in-kind contributions and funds from competitive public grants. The fee incurred for the year ended June 30, 2011 and the period from October 21, 2008 (date of inception) to June 30, 2010 was \$327,307 and \$195,405, respectively. At June 30, 2011 and 2010, approximately \$49,000 and \$52,000, respectively, is included in accounts payable, relating to USI.

The Charter School is related to Excellence Boys Charter School of Bedford Stuyvesant through common Board representation. As neither of the schools have an economic interest in the net assets of the other, the facts do not require consolidation of this school with the Charter School in accordance with FASB ASC 958-810 (formerly SOP 94-3 "Reporting of Related Entities by Not-For-Profit Organizations").

NOTE C: SCHOOL FACILITY

The Charter School is located in a New York City Department of Education facility.

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>Year ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Furniture and fixtures	\$ 98,629	\$ 86,783
Computers and software	304,992	240,299
Leasehold improvements	<u>261,752</u>	<u>261,752</u>
	665,373	588,834
Less accumulated depreciation and amortization	<u>205,468</u>	<u>78,751</u>
	<u>\$ 459,905</u>	<u>\$ 510,083</u>

EXCELLENCE GIRLS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

NOTE E: OPERATING LEASES

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

<u>Year ending June 30,</u>	<u>Amount</u>
2012	\$ 6,420
2013	<u>1,605</u>
	<u>\$ 8,025</u>

NOTE F: 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 pay, not to exceed \$3,500. The Charter School's total contribution to the Plan for the year ended June 30, 2011 and the period from October 21, 2008 (date of inception) to June 30, 2010 approximated \$14,000 and \$13,000, respectively.

NOTE G: 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.

NOTE H: CONCENTRATION

At June 30, 2011 and 2010, approximately 67% and 73%, respectively, of accounts receivable are due from New York State. At June 30, 2011, approximately 30% of accounts receivable are due from a grantor.

During the year ended June 30, 2011 and the period from October 21, 2008 (date of inception) to June 30, 2010, 88% and 54%, 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's students are located.

NOTE I: MAJOR GRANTOR

One federal grant accounted for over ten percent of total operating revenue for the period from October 21, 2008 (date of inception) to June 30, 2010. There were no grants that exceeded 10% of total operating revenue and support for the year ended June 30, 2011.

EXCELLENCE GIRLS CHARTER SCHOOL

OTHER FINANCIAL INFORMATION



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Excellence Girls Charter School

Our report on our audit of the basic financial statements of Excellence Girls Charter School as of June 30, 2011 and for the year then ended appears on page 3. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 18, 2011

EXCELLENCE GIRLS CHARTER SCHOOL

SCHEDULE OF ACTIVITIES

	<u>Year ended June 30,</u>		Period from October 21, 2008 (date of inception) to June 30, 2009	Period from October 21, 2008 (date of inception) to June 30, 2010
	<u>2011</u>	<u>2010</u>		
State and local per pupil operating revenue	\$ 3,151,603	\$ 1,815,905	\$ -	\$ 1,815,905
Government grants	224,201	619,076	320,324	939,400
Contributions	222,755	490,383	123,500	613,883
Other income	<u>96</u>	<u>38</u>	<u>-</u>	<u>38</u>
TOTAL OPERATING REVENUE AND SUPPORT	3,598,655	2,925,402	443,824	3,369,226
Salaries	1,678,809	1,119,369	184,133	1,303,502
Payroll taxes and employee benefits	293,592	208,309	37,793	246,102
Repairs and maintenance	49,363	67,737	25,237	92,974
Instructional supplies and assessments	140,455	171,261	-	171,261
Computer and technology supplies	81,040	49,591	-	49,591
Student enrichment and services	130,302	47,216	168	47,384
Professional development	152,316	89,188	56,261	145,449
Professional services	15,948	18,890	-	18,890
Telephone	25,506	23,653	100	23,753
Insurance	26,938	25,311	3,672	28,983
Management fees	327,307	195,405	-	195,405
Office expense	60,586	67,022	11,769	78,791
Depreciation and amortization	126,717	78,751	-	78,751
Other	<u>9,970</u>	<u>5,790</u>	<u>1,200</u>	<u>6,990</u>
TOTAL EXPENSES	<u>3,118,849</u>	<u>2,167,493</u>	<u>320,333</u>	<u>2,487,826</u>
CHANGE IN NET ASSETS	<u>\$ 479,806</u>	<u>\$ 757,909</u>	<u>\$ 123,491</u>	<u>\$ 881,400</u>

EXCELLENCE GIRLS 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
Excellence Girls Charter School

We have audited the financial statements of Excellence Girls Charter School (the "Charter School") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 18, 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 Excellence Girls 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 Excellence Girls 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 Excellence Girls 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 Excellence Girls Charter School in a separate letter dated October 18, 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 18, 2011