

GREEN DOT NEW YORK CHARTER SCHOOL

**Financial Statements
and
Supplemental Schedules**

For the Years Ended June 30, 2012 and 2011

GREEN DOT NEW YORK CHARTER SCHOOL
For the Years Ended June 30, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Green Dot New York Charter School

We have audited the accompanying statements of financial position of Green Dot New York Charter School (the "School") as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Green Dot New York Charter School as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012 on our consideration of Green Dot New York Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on page 11 are presented for purposes of additional analysis and are 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 audits 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.

Buchbinder Tunick & Company LLP

BUCHBINDER TUNICK & COMPANY LLP

October 29, 2012

GREEN DOT NEW YORK CHARTER SCHOOL
Statements of Financial Position
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 2,684,695	\$ 1,793,612
Grants receivable	220,373	130,392
Prepaid expenses	9,282	22,399
Due from UFT Charter School	749	-
Furniture and equipment, net	<u>523,278</u>	<u>513,063</u>
Total assets	<u>\$ 3,438,377</u>	<u>\$ 2,459,466</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 57,715	\$ 46,692
Due to United Federation of Teachers	98,078	77,136
Due to UFT Welfare Fund	-	7,843
Due to UFT Charter School	-	1,590
Due to Green Dot Organization	17,236	17,236
Accrued sick and vacation pay	<u>183,510</u>	<u>117,677</u>
Total liabilities	<u>356,539</u>	<u>268,174</u>
Net assets:		
Unrestricted	3,035,449	2,166,609
Temporarily restricted	<u>46,389</u>	<u>24,683</u>
Total net assets	<u>3,081,838</u>	<u>2,191,292</u>
Total liabilities and net assets	<u>\$ 3,438,377</u>	<u>\$ 2,459,466</u>

See notes to financial statements.

GREEN DOT NEW YORK CHARTER SCHOOL
Statements of Activities
For the years ended June 30, 2012 and 2011

	2012			2011		
	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted
Revenue:						
Local per pupil operating revenue	\$ 5,612,863	\$ 5,612,863	\$ -	\$ 4,353,446	\$ 4,353,446	\$ -
Government grants	350,911	-	350,911	150,653	-	150,653
Contributions	93,069	1,000	92,069	127,147	50,010	77,137
Interest income	7,606	7,606	-	8,073	8,073	-
Other income	90	90	-	565	565	-
Net assets released from purpose restriction	-	421,274	(421,274)	-	233,665	(233,665)
Total operating revenue	<u>6,064,539</u>	<u>6,042,833</u>	<u>21,706</u>	<u>4,639,884</u>	<u>4,645,759</u>	<u>(5,875)</u>
Expenses:						
Program services:						
Regular Education	4,286,506	4,286,506	-	3,116,521	3,116,521	-
Special Education	153,878	153,878	-	114,726	114,726	-
Supporting services:						
Management and general	726,232	726,232	-	699,481	699,481	-
Fund-raising	7,377	7,377	-	6,932	6,932	-
Total expenses	<u>5,173,993</u>	<u>5,173,993</u>	<u>-</u>	<u>3,937,660</u>	<u>3,937,660</u>	<u>-</u>
Change in net assets	890,546	868,840	21,706	702,224	708,099	(5,875)
Net assets:						
Beginning of year	<u>2,191,292</u>	<u>2,166,609</u>	<u>24,683</u>	<u>1,489,068</u>	<u>1,458,510</u>	<u>30,558</u>
End of year	<u>\$ 3,081,838</u>	<u>\$ 3,035,449</u>	<u>\$ 46,389</u>	<u>\$ 2,191,292</u>	<u>\$ 2,166,609</u>	<u>\$ 24,683</u>

See notes to financial statements.

GREEN DOT NEW YORK CHARTER SCHOOL
Statements of Cash Flows
For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 890,546	\$ 702,224
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	174,426	146,752
(Increase) decrease in operating assets:		
Grants receivable	(89,981)	312,965
Prepaid expenses	13,117	50,016
Due from UFT Charter School	(749)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	11,023	(69,296)
Due to United Federation of Teachers	20,942	(4,235)
Due to UFT Welfare Fund	(7,843)	4,495
Due to UFT Charter School	(1,590)	-
Due to Green Dot Organization	-	17,236
Accrued sick and vacation pay	65,833	47,604
	<u>1,075,724</u>	<u>1,207,761</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Additions to furniture and equipment	<u>(184,641)</u>	<u>(120,290)</u>
Net cash (used in) investing activities	<u>(184,641)</u>	<u>(120,290)</u>
Net increase in cash and cash equivalents	891,083	1,087,471
Cash and cash equivalents:		
Beginning of year	<u>1,793,612</u>	<u>706,141</u>
End of year	<u>\$ 2,684,695</u>	<u>\$ 1,793,612</u>

See notes to financial statements.

GREEN DOT NEW YORK CHARTER SCHOOL
Notes to Financial Statements
June 30, 2012 and 2011

Note 1 - Nature of Organization

The Green Dot New York Charter School (the "School") was formed under an education corporation that operates charter schools in the borough of the Bronx, New York City. On January 15, 2008, the Board of Regents of the University of the State of New York for and on behalf of the Education Department of the State of New York granted the School a provisional charter valid for a term of five years from the effective date of January 15, 2008, and renewable upon expiration.

On April 18, 2012, the Board of Trustees passed a resolution which transfers the management of the School from Green Dot Public Schools to Future is Now Schools.

The School's mission is to prepare all students to achieve academic and personal excellence and to graduate students fully prepared for a demanding secondary education, and to help prepare students for meaningful lives as full democratic citizens in a free society.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements of the School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

The 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.

Net Assets

Unrestricted net assets are not restricted by donors/grantors, or the donor/grantor-imposed restrictions have expired.

Temporarily restricted net assets contain donor/grantor-imposed restrictions that permit the School to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by action of the School.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the School. As of June 30, 2012 and 2011, the School did not have any permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

GREEN DOT NEW YORK CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2012 and 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporary restricted net assets are reclassified to unrestricted net assets and reported as released from restrictions in the statements of activities.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The School considers all highly liquid investments with a maturity of three months or less at time of purchase to be cash equivalents.

Grants Receivable

Unconditional grants receivable are recognized as revenue in the period in which the grant is awarded. Conditional grants receivable are recognized when the conditions on which they depend are substantially met.

Furniture and Equipment

Furniture and equipment is recorded at cost except for assets acquired in accordance with government contracts, which are recorded as expenses of such contracts because the government agency retains title to the assets.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from five to seven years.

Contributions and Grants

Contributions and grant revenue received are recorded as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

GREEN DOT NEW YORK CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2012 and 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributions and Grants (Continued)

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

Promises to Give

Conditional promises to give are not included as support until the conditions are substantially met. Unconditional promises to give are recognized in the period received.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

Subsequent Events

The School has evaluated subsequent events and transactions through October 29, 2012, the date that the financial statements were available to be issued.

Note 3 - Furniture and Equipment

Furniture and equipment at June 30, 2012 and 2011 consisted of:

	2012	2011
Classroom and office furniture	\$ 234,516	\$ 191,718
Classroom and office computers and equipment	790,822	648,979
	1,025,338	840,697
Less: accumulated depreciation	(502,060)	(327,634)
Furniture and equipment, net	\$ 523,278	\$ 513,063

During the years ended June 30, 2012 and 2011, depreciation expense amounted to \$174,426 and \$146,752, respectively.

GREEN DOT NEW YORK CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2012 and 2011

Note 4 - Related Party Transactions

The School is related to the United Federation of Teachers, Local 2, AFT (the "UFT"). The School utilizes the resources and personnel of the UFT and UFT Welfare Fund to effectuate cost savings and to minimize duplication of efforts. During the years ended June 30, 2012 and 2011, the School was allocated \$184,137 and \$154,273, respectively, from the UFT. Allocated expenses consisted mainly of salaries, payroll taxes and employee benefits. Of these allocated expenses, the UFT contributed \$92,069 and \$77,137 to the School for the years ended June 30, 2012 and 2011, respectively. The School is also related to the Green Dot Organization. The School reimburses the Green Dot Organization for partner's operating costs. Those costs were \$-0- and \$17,236 for the years ended June 30, 2012 and 2011, respectively.

Note 5 - Partner's Operating Costs

Partner's operating costs represent expenses (i.e., salaries, insurance, travel, consulting, etc.) incurred by the Green Dot Organization on behalf of the School. These costs have been reimbursed by the School.

Note 6 - Temporarily Restricted Net Assets

At June 30, 2012 and 2011, temporarily restricted net assets were available for the following purposes:

	2012	2011
Temporarily restricted:		
Title I Grant - NYS Department of Education 9/1/10 - 8/31/11	\$ -	\$ 24,683
Title I Grant - NYS Department of Education 9/1/11 - 8/31/12	46,389	-
Total temporarily restricted net assets	\$ 46,389	\$ 24,683

The School has adopted investment and spending policies for endowment assets (donor-restricted and board-designated) that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. As of June 30, 2012 and 2011, the School's endowment assets consisted of temporarily restricted net assets invested in cash and cash equivalents.

Effective September 17, 2010, the State of New York adopted the New York Prudent Management of Institutional Funds Act ("NYPMIFA").

GREEN DOT NEW YORK CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2012 and 2011

Note 7 - Pension Plan

Effective fiscal year 2010, the School began contributing to the Teachers Retirement System, a defined contribution plan. The total amounts contributed for the years ended June 30, 2012 and 2011 were \$269,386 and \$267,571, respectively.

Note 8 - Concentrations

Credit Risk

The School maintains cash balances at a banking institution. Accounts are insured by the Federal Deposit Insurance Corporation. The School does not anticipate any risk problems.

Significant Funding

The School has entered into service contracts and grant agreements with New York State and New York City government agencies that are subject to business risks associated with the economy and administrative directives, rules and regulations that are subject to change. A significant reduction in revenue from these various governmental agency contracts would have an adverse effect on the School's operations.

Note 9 - Tax Status

The School has been determined by the Internal Revenue Service (the "IRS") to be exempt from Federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code (the "IRC").

The School files an annual return Form 990, *Return of Organization Exempt from Income Tax*, with the IRS. At June 30, 2012, the School's Form 990s for the years 2008 through 2012 remain eligible for examination by the IRS.

GREEN DOT NEW YORK CHARTER SCHOOL
(Supplemental Schedules)
Schedules of Functional Expenses
For the years ended June 30, 2012 and 2011

	2012					2011				
	Program Services		Supporting Services			Program Services		Supporting Services		
	Regular Education	Special Education	Management and General	Fund-raising	Total	Regular Education	Special Education	Management and General	Fund-raising	Total
Salaries	\$ 2,881,861	\$ 95,022	\$ 323,008	\$ 4,968	\$ 3,304,859	\$ 2,091,952	\$ 73,072	\$ 284,839	\$ 4,866	\$ 2,454,729
Payroll taxes	222,117	7,324	23,997	345	253,783	168,330	5,916	21,801	334	196,381
Employee benefits	587,578	19,360	87,627	1,922	696,487	396,398	13,918	67,901	1,566	479,783
Provision for sick and vacation pay	59,184	2,194	4,455	-	65,833	46,836	(398)	1,166	-	47,604
Classroom textbooks and supplies	133,372	11,929	-	-	145,301	115,465	9,986	-	-	125,451
Classroom furniture and equipment	65,791	5,885	-	-	71,676	29,022	2,510	-	-	31,532
Partner's operating costs	-	-	-	-	-	-	-	17,236	-	17,236
Office furniture and equipment	-	-	17,911	-	17,911	-	-	15,023	-	15,023
Consulting	-	-	22,567	-	22,567	-	-	45,025	-	45,025
School uniforms	13,680	1,224	-	-	14,904	1,991	172	-	-	2,163
Insurance	23,909	789	30,886	-	55,584	9,547	334	28,175	-	38,056
Telephone	43,787	1,446	4,906	75	50,214	39,048	1,366	5,315	91	45,820
Meetings and conferences	-	-	30,457	-	30,457	-	-	22,972	-	22,972
Auditing	-	-	25,750	-	25,750	-	-	25,000	-	25,000
Teacher recruitment	15,343	1,372	-	-	16,715	30,005	2,595	-	-	32,600
Printing and copying	11,087	366	1,242	19	12,714	8,855	310	1,205	21	10,391
Office supplies	-	-	6,682	-	6,682	-	-	4,976	-	4,976
Postage	3,067	101	344	5	3,517	2,672	93	364	6	3,135
Teachers' discretionary	7,664	686	-	-	8,350	9,515	823	-	-	10,338
Student trips	21,296	1,905	-	-	23,201	16,087	1,391	-	-	17,478
Food service	4,493	402	-	-	4,895	2,773	240	-	-	3,013
Repairs and maintenance	-	-	101,634	-	101,634	-	-	113,681	-	113,681
Equipment rental	-	-	785	-	785	-	-	513	-	513
Maintenance and supplies	-	-	-	-	-	-	-	3,052	-	3,052
Payroll processing	3,003	99	337	5	3,444	2,675	94	364	7	3,140
Student testing materials	7,393	661	-	-	8,054	2,237	194	-	-	2,431
Student services	26,707	2,389	-	-	29,096	17,304	1,497	-	-	18,801
Depreciation	133,240	-	41,186	-	174,426	108,267	-	38,485	-	146,752
Miscellaneous	21,934	724	2,458	38	25,154	17,542	613	2,388	41	20,584
Total expenses	\$ 4,286,506	\$ 153,878	\$ 726,232	\$ 7,377	\$ 5,173,993	\$ 3,116,521	\$ 114,726	\$ 699,481	\$ 6,932	\$ 3,937,660

See independent auditor's report.



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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

The Board of Trustees
Green Dot New York Charter School

We have audited the financial statements of Green Dot New York Charter School (the "School") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 29, 2012. 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

Management of Green Dot New York Charter School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Green Dot New York Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees of Green Dot New York Charter School, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Buchbinder Tunick & Company LLP

BUCHBINDER TUNICK & COMPANY LLP

October 29, 2012