

KING CENTER CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

**KING CENTER CHARTER SCHOOL
FOR THE YEAR ENDED JUNE 30, 2009
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
King Center Charter School
Buffalo, New York

We have audited the accompanying statement of financial position of King Center Charter School as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of King Center Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 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 King Center Charter School as of June 30, 2009, 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 14, 2009, on our consideration of King Center 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 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 important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of King Center Charter School taken as a whole. The accompanying schedule of functional expenses 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.

R.A. Mercer & Co., P.C.

R.A. Mercer & Co., P.C.

Orchard Park, New York
October 14, 2009

FINANCIAL STATEMENTS

**KING CENTER CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
As of June 30, 2009**

ASSETS

Cash	\$ 503,143
Grants and Other Receivables	57,137
Prepaid Expenses	14,723
Property and Equipment, net	<u>172,447</u>
Total Assets	<u><u>747,450</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts Payable	22,561
Accrued Expenses	<u>102,617</u>
Total Liabilities	<u>125,178</u>
Unrestricted Net Assets	<u>622,272</u>
Total Liabilities and Net Assets	<u><u>\$ 747,450</u></u>

See accompanying notes to financial statements.

**KING CENTER CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Unrestricted Net Assets:

Revenue, Gains and Other Support

Public School District:

Revenue - Resident Student Enrollment	\$ 1,061,880
- Special Education	63,799
Contributions	1,000
Interest Income	3,305
Other Income	4,866
Net Assets Released from Restrictions	<u>83,956</u>

Total Revenue, Gains and Other Support 1,218,806

Expenses

Program Expenses:

Regular Education	789,109
Special Education	61,142
Other	10,607

Supporting Services:

Management and General	<u>229,680</u>
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Total Expenses 1,090,538

Change in Unrestricted Net Assets 128,268

Changes in Temporarily Restricted Net Assets

Federal and State Grants	83,956
Net Assets Released from Restrictions	<u>(83,956)</u>

Change in Temporarily Restricted Net Assts -

Change in Net Assets 128,268

Net Assets - Beginning 494,004

Net Assets - Ending \$ 622,272

See accompanying notes to financial statements.

**KING CENTER CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

Cash Flows From Operating Activities

Change in Net Assets	\$	128,268
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation		18,507
Decrease in receivables		1,157
Increase in prepaid expense		(11,817)
Decrease in accounts payable and accrued expenses		<u>(679)</u>
Net cash flows provided by operating activities		<u>135,436</u>

Cash Flows from Investing Activities

Purchase of Property and Equipment		<u>(14,950)</u>
Net cash used in investing activities		<u>(14,950)</u>
Net Increase in Cash and Cash Equivalents		120,486
Cash and Cash Equivalents - Beginning of Year		<u>382,657</u>
Cash and Cash Equivalents - End of Year	\$	<u><u>503,143</u></u>

Supplemental disclosures:

Cash paid for interest:	\$	<u><u>39</u></u>
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See accompanying notes to financial statements.

**KING CENTER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Note 1. Summary of Significant Accounting Policies

Organization and Description of Activities

On January 15, 2008, the Board of Regents of the University of the State of New York Charter Schools granted a five-year subsequent renewal to King Center Charter School. The full-term, five-year renewal is the highest renewal designation that the State University Trustees award.

Charter schools receive state and federal public-school funding and must meet all the same state and federal testing and learning requirements as public schools, yet they operate independently of the local school district, serving as their own local education agency.

King Center Charter School is governed by an eleven member, uncompensated Board of Directors and has 102 students in kindergarten through fourth grade. The school offers additional opportunities for enrichment activity including after-school and summer programs.

Accrual Basis

The financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

The School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents which are included as cash in the accompanying financial statements.

At various times, cash and cash equivalents in financial institutions may exceed insured limits and subject the School to concentrations of credit risk.

Property, Equipment and Leasehold Improvements

Purchased property and equipment are recorded at cost and depreciation is provided for using the straight-line method over estimated useful lives. Leasehold improvements are capitalized at cost and are being amortized over their estimated useful lives.

Generally, equipment which has a cost in excess of \$500 at the date of acquisition and has an expected useful life of five years is capitalized.

Income Taxes

The School is a 501 (c) (3) organization exempt from taxation under Section 501 (a) of the Internal Revenue Code.

Support and Revenue

The School receives per pupil aid which is passed through the Buffalo Public School District. New York State Education Department mandates the rate per pupil. For the year ended June 30, 2009, the per pupil rate was \$10,429.

Contributions and grants are reported at fair value at the date the contribution/grant is made. A contribution or grant that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Gifts of goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used, in which case they are recorded as restricted support.

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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including useful lives of long lived assets.

Cost Allocation

The School's costs of providing its various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2. Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable and current liabilities approximates fair value because of the short maturity of these instruments.

Note 3. Property and Equipment

Property and equipment consists of the following:

Land	\$ 26,515
Leasehold & Land Improvements	234,789
Office Equipment	24,413
Instructional Equipment	<u>189,857</u>
	475,574
Less Accumulated Depreciation	<u>303,127</u>
Property and Equipment, Net	<u>\$ 172,447</u>

Depreciation expense for the year was \$18,507.

Note 4. Federal and State Grants

The Charter school has received grants which are subject to audit by agencies of the state and federal government. Such audits may result in disallowances and a request for a return of funds. The school believes that disallowances, if any will not be material.

Note 5. Line of Credit

The School has a \$200,000 line of credit with a local bank with interest payable at 1% above the bank's prime rate. This is a demand note and substantially all of the School's assets are secured under the loan. At June 30, 2009 there was no balance on the line.

Note 6. Temporarily Restricted Net Assets

There were no temporarily restricted net assets at June 30, 2009.

Note 7. Related Party Transactions

The King Center Charter School and King Urban Life Center, Inc. (a nonprofit organization) are affiliated with each other by means of overlapping Boards of Directors. Two of King Center Charter School's eleven directors are persons who are also on the Board of Directors of King Urban Life Center, Inc. The King Urban Life Center, Inc. provided extensive support with the original application for the establishment of the school and it will also sponsor various programs that the students of the school will be eligible to participate in.

The school entered into a lease agreement with King Urban Life Center, Inc. to lease facilities. Rent expense for the year ended June 30, 2009 was \$144,120. The initial lease is for a term of one year and is automatically renewable unless terminated by either party.

At June 30, 2009, the charter school had prepaid rent to King Urban Life Center of \$12,010.

Note 8. Pension Plan

King Center Charter School participates in the New York State Teachers' Retirement System (NYSTRS). This system is a cost sharing multiple employer, public employee retirement system. The system offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

The New York State Teachers' Retirement Board administers NYSTRS. The System provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

The System is noncontributory, except for employees who joined the System after July 27, 1976, who contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The charter school is required to contribute at an actuarially determined rate. The School's contributions made to the System were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

2007	\$ 59,347
2008	\$ 45,681
2009	\$ 39,811

Note 9. Subsequent event-expansion plan and building lease

King Center Charter School has an expansion plan to increase student population whereby they will add an additional grade of 22 students every year beginning in the year ended June 30, 2010. Each year an additional class will be added until a student population of 242 is reached in fiscal year ended June 30, 2014.

Lease terms between King Center Charter School and King Urban Life Center, Inc. for the rental of a building from King Urban Life Center, Inc. were approved by the Board of Trustees in October 2009 and include King Center Charter School prepaying rent in the amount of \$78,000 for the first five year term. As of October 14, 2009 a final lease has not been executed. Any improvements will be the responsibility of King Center Charter School. King Center Charter School will also be responsible for utilities, upkeep, and maintenance of the property.

The School has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 14, 2009 (the date the financial statements were available to be issued).

Supplemental Information

**KING CENTER CHARTER SCHOOL
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009**

	Program Services			Supporting Services		Total
	Regular Education	Special Education	Other	Management & General		
Salaries	\$ 451,753	\$				658,656
Payroll Taxes	35,139		7,105	156,265		51,232
Employee Benefits	72,497	3,386	553	12,154		105,700
Instructional Materials	871	6,986	1,140	25,077		871
Classroom Supplies	6,735	-	-	-	-	6,735
Field Trips	1,693	-	-	-	-	1,693
Transportation	10,670	-	-	-	-	10,670
Student Activities	3,530	-	-	-	-	3,530
Student Testing and Assessment	2,338	-	-	-	-	2,338
Technology	3,902	-	-	-	-	3,902
Conferences	3,294	-	-	-	-	3,294
Staff Development	2,410	-	-	-	-	2,410
Dues and Memberships	1,552	-	-	-	-	1,552
Rent	108,090	5,765	1,441	28,824		144,120
Insurance	13,719	732	183	3,658		18,292
Office Supplies	4,152	-	-	-	-	4,152
Telephone	4,855	-	-	-	-	4,855
Postage	549	-	-	-	-	549
Printing and Promotion	7,078	-	-	-	-	7,078
Equipment Repair & Maintenance	2,927	-	-	-	-	2,927
Contractual Services	3,048	-	-	-	-	3,048
Professional Fees	29,302	-	-	-	-	29,302
Miscellaneous	5,086	-	-	-	-	5,086
Depreciation	13,880	740	185	3,702		18,507
Interest Expense	39	-	-	-	-	39
Total	\$ 789,109	\$ 61,142	\$ 10,607	\$ 229,680	\$	1,090,538

See paragraph on supplemental information included in Auditor's Report.

COMPLIANCE AND INTERNAL CONTROL

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**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 Directors
King Center Charter School
Buffalo, New York

We have audited the financial statements of King Center Charter School as of and for the year ended June 30, 2009, and have issued our report thereon dated October 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered King Center Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the King Center Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of King Center Charter School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Directors, 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.

Orchard Park, New York
October 14, 2009

R.A. MERCER & CO, P.C.

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