

**KING CENTER CHARTER SCHOOL  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010  
AND JUNE 30, 2009**

**KING CENTER CHARTER SCHOOL  
FOR THE YEARS ENDED JUNE 30, 2010  
AND JUNE 30, 2009  
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# R.A. MERCER & CO., P.C.

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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 statements of financial position of King Center Charter School as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years 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 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 King Center Charter School as of June 30, 2010 and 2009, 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 September 28, 2010, 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 audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of King Center Charter School taken as a whole. The accompanying schedules of functional expenses are presented for purposes of additional analysis and are 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.

Orchard Park, New York  
September 28, 2010

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

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

## **FINANCIAL STATEMENTS**

**KING CENTER CHARTER SCHOOL  
STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2010 AND JUNE 30, 2009**

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Cash	\$ 640,838	503,143
Grants and Other Receivables	65,634	57,137
Prepaid Expenses	92,623	14,723
Property and Equipment, net	182,699	172,447
Total Assets	981,794	747,450
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts Payable	28,168	22,561
Accrued Expenses	115,332	102,617
Total Liabilities	143,500	125,178
 Net Assets:		
Unrestricted Net Assets	837,944	622,272
Temporarily Restricted	350	-
Total Net Assets	838,294	622,272
Total Liabilities and Net Assets	\$ 981,794	747,450

See accompanying notes to financial statements.

**KING CENTER CHARTER SCHOOL  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2010  
AND JUNE 30, 2009**

	<u>2010</u>	<u>2009</u>
<b>Unrestricted Net Assets:</b>		
<b>Revenue, Gains and Other Support</b>		
Public School District:		
Revenue - Resident Student Enrollment	\$ 1,362,236	1,061,880
- Special Education	72,525	63,799
Contributions	11,903	1,000
Interest Income	220	3,305
Other Income	9,246	4,868
Net Assets Released from Restrictions	<u>138,273</u>	<u>83,956</u>
<b>Total Revenue, Gains and Other Support</b>	<u>1,594,403</u>	<u>1,218,806</u>
 <b>Expenses</b>		
Program Expenses:		
Regular Education	1,026,583	789,109
Special Education	102,570	61,142
Other	9,279	10,607
Supporting Services:		
Management and General	<u>239,949</u>	<u>229,680</u>
<b>Total Expenses</b>	<u>1,378,381</u>	<u>1,090,538</u>
 <b>Change in Unrestricted Net Assets</b>	<u>216,022</u>	<u>128,268</u>
 <b>Changes in Temporarily Restricted Net Assets</b>		
Federal and State Grants	138,273	83,956
Net Assets Released from Restrictions	<u>(138,273)</u>	<u>(83,956)</u>
<b>Change in Temporarily Restricted Net Assets</b>	<u>-</u>	<u>-</u>
 <b>Change in Net Assets</b>	216,022	128,268
<b>Net Assets - Beginning</b>	<u>622,272</u>	<u>494,004</u>
 <b>Net Assets - Ending</b>	<u>\$ 838,294</u>	<u>622,272</u>

See accompanying notes to financial statements.

**KING CENTER CHARTER SCHOOL  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2010  
AND JUNE 30, 2009**

	<b>2010</b>	<b>2009</b>
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$ 216,022	128,268
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	19,183	18,507
(Increase) Decrease in receivables	(8,497)	1,157
(Increase) Decrease in prepaid expense	(77,900)	(11,817)
Increase (Decrease) in accounts payable and accrued expenses	18,322	(679)
Net cash flows provided by operating activities	167,130	135,438
<b>Cash Flows from Investing Activities</b>		
Purchase of Property and Equipment	(29,435)	(14,950)
Net cash used in investing activities	(29,435)	(14,950)
Net Increase in Cash and Cash Equivalents	137,695	120,486
Cash and Cash Equivalents - Beginning of Year	503,143	382,857
Cash and Cash Equivalents - End of Year	\$ 640,838	503,143
 <b>Supplemental disclosures:</b>		
Cash paid for interest:	\$ 272	39

See accompanying notes to financial statements.



**KING CENTER CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010  
AND 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 130 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, 2010, 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:	<u>2010</u>	<u>2009</u>
Land	\$ 26,515	26,515
Leashold & Land Improvements	247,452	234,789
Office Equipment	33,180	24,413
Instructional Equipment	<u>197,862</u>	<u>189,857</u>
	505,009	475,574
Less Accumulated Depreciation	<u>(322,310)</u>	<u>(303,127)</u>
Property and Equipment, Net	<u>\$ 182,699</u>	<u>172,447</u>

Depreciation expense was \$19,183 and \$18,507 for 2010 and 2009 respectively.

**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, 2010 and 2009 there was no balance on the line.

**Note 6. Temporarily Restricted Net Assets**

There was \$350 in temporarily restricted net assets at June 30, 2010 and \$0 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 years ended June 30, 2010 and 2009 was \$144,120. The initial lease is for a term of one year and is automatically renewable unless terminated by either party.

The charter school had prepaid rent to King Urban Life Center of \$87,010 at June 30, 2010 and \$12,010 at June 30, 2009.

**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:

2008	\$ 45,681
2009	\$ 39,811
2010	\$ 37,145

**Note 9. 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 \$75,000 for the first five year term. 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.

**Note 10. Subsequent Events**

The School has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 28, 2010 (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, 2010**

	Program Services			Supporting Services		Total
	Regular Education	Special Education	Other	Management & General		
Salaries	\$ 567,349	\$ 42,781	\$ 6,225	\$ 160,969	\$ 777,324	
Payroll Taxes	44,339	3,343	486	12,580	60,749	
Employee Benefits	96,351	7,265	1,057	27,337	132,010	
Instructional Materials	19,360	-	-	-	19,360	
Classroom Supplies	4,186	-	-	-	4,186	
Field Trips	5,561	-	-	-	5,561	
Transportation	35,526	-	-	-	35,526	
Student Activities	1,904	-	-	-	1,904	
Student Testing and Assessment	3,449	-	-	-	3,449	
Special Education Services	-	38,798	-	-	38,798	
Technology	3,960	-	-	-	3,960	
Conferences	4,030	-	-	-	4,030	
Staff Development	1,914	-	-	-	1,914	
Dues and Memberships	1,728	-	-	-	1,728	
Rent	105,190	7,932	1,154	29,845	144,120	
Utilities	3,585	270	39	1,017	4,912	
Insurance	14,907	1,124	164	4,229	20,424	
Office Supplies	5,285	-	-	-	5,285	
Telephones	10,027	-	-	-	10,027	
Postage	615	-	-	-	615	
Printing and Promotion	4,649	-	-	-	4,649	
Equipment Repair & Maintenance	25,590	-	-	-	25,590	
Contractual Services	4,279	-	-	-	4,279	
Professional Fees	38,320	-	-	-	38,320	
Miscellaneous	10,206	-	-	-	10,206	
Depreciation	14,001	1,056	154	3,972	19,183	
Interest Expense	272	-	-	-	272	
<b>Total</b>	<b>\$ 1,028,563</b>	<b>\$ 102,570</b>	<b>\$ 9,279</b>	<b>\$ 239,949</b>	<b>\$ 1,378,381</b>	

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

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	\$ 43,533	\$ 7,105	\$ 156,265	\$ 658,656	
Payroll Taxes	35,139	3,386	553	12,154	51,232	
Employee Benefits	72,497	6,986	1,140	25,077	105,700	
Instructional Materials	871	-	-	-	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	
<b>Total</b>	<b>\$ 789,109</b>	<b>\$ 61,142</b>	<b>\$ 10,607</b>	<b>\$ 229,680</b>	<b>\$ 1,090,538</b>	

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

## **COMPLIANCE AND INTERNAL CONTROL**

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

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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 of  
King Center Charter School  
Buffalo, New York

We have audited the financial statements of King Center Charter School (a nonprofit organization) as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated September 28, 2010. 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 King Center Charter 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 a 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 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, Board of Directors, 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.

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

Orchard Park, New York  
September 28, 2010