

**NEW VISIONS CHARTER HIGH SCHOOL
FOR ADVANCED MATH AND SCIENCE**

FINANCIAL STATEMENTS

**PERIOD FROM DECEMBER 14, 2010
(DATE OF INCEPTION)
TO JUNE 30, 2012**

**NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND
SCIENCE
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
New Visions Charter High School for Advanced Math and Science

We have audited the accompanying statement of financial position of New Visions Charter High School for Advanced Math and Science (the "School") as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the period from December 14, 2010 (date of inception) through June 30, 2012. 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 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 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 New Visions Charter High School for Advanced Math and Science as of June 30, 2012 and the changes in its net assets and its cash flows for the period from December 14, 2010 (date of inception) through June 30, 2012, 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 the 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 on 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.

MBAF CPAs, LLC

New York, NY
October 29, 2012

An Independent Member of Baker Tilly International

MBAF CPAs, LLC, a registered certified public accounting firm

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New Visions Charter High School for Advanced Math and Science

STATEMENT OF FINANCIAL POSITION

June 30, 2012

Assets:		
Cash	\$	343,752
Cash - restricted		24,958
Grants receivable		320,905
Other receivables		5,678
Due from NYC Department of Education		3,113
Prepaid expenses and other assets		4,852
Property and equipment, net		33,254
Due from related entities		7,144
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Total Assets	\$	743,656
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Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses		145,884
Accrued salary and other payroll related expenses		62,033
Due to related entities		95,664
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Total Liabilities		303,581
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Net assets - unrestricted		440,075
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Total Liabilities and Net Assets	\$	743,656

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

New Visions Charter High School for Advanced Math and Science

STATEMENT OF ACTIVITIES

For the Period From Inception (December 14, 2010) to June 30, 2012

Operating revenue and support:	
State and local per pupil operating revenue	\$ 1,882,141
Government grants and contracts	429,950
Contributions and other grants	350,000
Interest income	5
Insurance claim	15,112
In-kind	18,194
Total operating revenue and support	2,695,402
Expenses:	
Program services	1,761,199
Management and general	475,653
Fundraising	18,475
Total operating expenses	2,255,327
Change in net assets	440,075
Net assets - unrestricted – beginning of period	-
Net assets - unrestricted – end of period	\$ 440,075

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

New Visions Charter High School for Advanced Math and Science

STATEMENT OF FUNCTIONAL EXPENSES For the Period From Inception (December 14, 2010) to June 30, 2012

	Program Services	Management and General	Fundraising	Total Operating Expenses
Salaries	\$ 741,067	\$ 301,505	\$ -	\$ 1,042,572
Payroll taxes and employee benefits	198,718	60,510	-	259,228
Accounting/Audit	-	6,000	-	6,000
Management fees	131,262	35,005	18,475	184,742
Educational and other consultants	96,841	2,797	-	99,638
Legal fees	31,016	5,496	-	36,512
Contract substitute	21,710	-	-	21,710
Food service/School lunch	3,676	-	-	3,676
Instructional supplies and materials	47,993	-	-	47,993
Textbooks and library books	58,501	-	-	58,501
Office expenses	27,062	17,459	-	44,521
Telephone and internet	14,604	6,060	-	20,664
Technology infrastructure and software	239,896	14,146	-	254,042
Student assessments	830	-	-	830
Student transportation	4,362	-	-	4,362
Student uniforms	14,878	-	-	14,878
Equipment maintenance	6,381	1,702	-	8,083
Staff recruitment	3,726	168	-	3,894
Student recruitment	13,482	-	-	13,482
Conference and meetings	26,780	2,025	-	28,805
Insurance	9,681	2,582	-	12,263
Facilities expense	56,096	17,098	-	73,194
Depreciation	8,679	2,315	-	10,994
Other expenses	3,958	785	-	4,743
Total expenses	\$ 1,761,199	\$ 475,653	\$ 18,475	\$ 2,255,327

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

New Visions Charter High School for Advanced Math and Science

STATEMENT OF CASH FLOWS For the Period From Inception (December 14, 2010) to June 30, 2012

Cash flows from operating activities:	
Change in net assets	\$ 440,075
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	10,994
Changes in operating assets and liabilities:	
Cash - restricted	(24,958)
Grants receivable	(320,905)
Other receivables	(5,678)
Due from NYC Department of Education	(3,113)
Prepaid expenses and other assets	(4,852)
Due from related entities	(7,144)
Accounts payable and accrued expenses	145,884
Accrued salary and other payroll related expenses	62,033
Due to related entities	95,664
Net cash provided by operating activities	388,000
Cash flows from investing activities:	
Purchase of property and equipment	(44,248)
Net cash used in investing activities	(44,248)
Net increase in cash	343,752
Cash - beginning of period	-
Cash - end of period	\$ 343,752

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

**NEW VISIONS CHARTER HIGH SCHOOL FOR ADVANCED MATH AND
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. NATURE OF THE ORGANIZATION:

New Visions Charter High School for Advanced Math and Science (the "School") is a New York State not-for-profit educational corporation that was incorporated on December 14, 2010 to operate a Charter School pursuant to Article 56 of the Education Law of the State of New York. The School, led by the Board of Trustees, has received a charter from The Charter Schools Institute-State University of New York ("SUNY – CSI") to operate a charter school in the State of New York pursuant to certain terms and conditions set forth in its approved Charter Application and Charter Agreement dated November 19, 2010. The School endeavors to extend equally to all students, regardless of their previous academic history, the highest quality education in an atmosphere of respect, responsibility and safety.

The School is currently waiting to receive their tax exempt status from Federal income tax under section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC and a similar provision under New York State income tax laws. The School expects to be classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and will qualify for deductible contributions as provided in section 170(b)(1)(A)(ii) of the IRC.

In fiscal year 2012, the School operated classes for students in ninth grade.

The School shares space with a New York City public school and is not responsible for rent, utilities, custodial services, maintenance, and school safety.

The New York City Department of Education ("NYCDOE") provides free lunches and transportation directly to a majority of the School's students.

2. SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the School's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions and requires that the amounts for each of the three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position. The amounts of change in each of the classes of net assets are also required to be displayed in a statement of activities.

These classes are defined as follows:

Permanently Restricted – Net assets resulting from contributions and other inflows of assets whose use by the 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 School.

Temporarily Restricted – Net assets resulting from contributions and other inflows of assets whose use by the School are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported

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in the statement of activities. However, if a restriction is fulfilled in the same period in which the contribution is received, the School reports the support as unrestricted.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

The School has no temporarily or permanently restricted net assets at June 30, 2012.

Cash

Included in cash is an escrow account of \$24,958, which is held aside for contingency purposes as required by SUNY-CSI.

Grants Receivable

Grants receivable represent unconditional promises to give by donors. Grants receivable that are expected to be collected within one year and recorded at net realizable value amount to \$320,905 at June 30, 2012. The School has determined that no allowance for uncollectible accounts is necessary as of June 30, 2012. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions.

Revenue Recognition

Revenue is recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value.

Revenue from state and local governments 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. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agencies.

The School receives a substantial portion of its support and revenue from the NYCDOE. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

Net Assets

Unrestricted net assets consist of revenues derived from government agencies, public contributions and other revenues for youth education. These net assets account for resources over which the Board of Trustees has discretionary control to use in carrying on the operations of the School.

Donated Goods and Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. Donated goods are recognized if the goods provide a benefit to the School and would have otherwise been purchased. For the period ended June 30, 2012, \$5,717 of in-kind goods were

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recognized.

One individual provided legal services to the School at no charge. The value of these services meets the criteria for recognition in the financial statements and was recorded at fair value of \$12,477 for the period ended June 30, 2012.

Premises provided by Government Authorities

The School does not record any in-kind contributions and related costs with respect to dedicated and shared space provided to it by the NYCDOE as the premises are temporary in nature, is excess shared space whereby a fair value cannot be determined, and is industry practice.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Property and equipment acquired with certain government funding are recorded as expenses pursuant to the terms of the contract in which ownership of such property and equipment is retained by the funding source. Maintenance and repairs are expensed as they occur. No depreciation is recorded on construction in progress until property and equipment is placed into service. Depreciation is provided on the straight line method over the estimated useful lives as follows:

Furniture & office equipment	3 years
Computer equipment	3 years

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of the proportionate share of instructional expenses and management and general. Management and general expense includes those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

The costs of providing the various programs and other 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.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent Events

The School has evaluated events through October 29, 2012, which is the date the financial statements were available to be issued.

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Income Taxes

The School follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The School files an informational return in the United States federal jurisdiction. The School is subject to U.S. federal income tax examination by tax authorities for all fiscal years in which informational returns were filed.

The School believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the School would classify it as "Interest Expense." The School would classify penalties in connection with underpayments of tax as "Other Expense."

3. GRANTS RECEIVABLE:

Grants receivable consists of federal and state entitlements and grants. The School expects to collect these receivables within one year.

DYCD Start up Grant	\$ 109,425
School Improvement Grant	80,943
Charter School Planning Grant	46,266
Erate Reimbursement	44,159
Title I	36,878
Title II	3,234
<u>Total</u>	<u>\$ 320,905</u>

4. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following as of June 30:

	2012
Computer equipment	\$ 35,203
Furniture and office equipment	9,045
	44,248
Less: accumulated depreciation	(10,994)
	<u>\$ 33,254</u>

Depreciation expense for the period June 30, 2012 is \$10,994.

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- 5. RELATED PARTY TRANSACTIONS:** The School is an affiliate of New Visions for Public Schools (“New Visions”), a not-for-profit organization dedicated to supporting public schools and helping to start and manage charter schools. Pursuant to the terms of the Educational Services Agreement by and between the School and New Visions dated July 22, 2011, New Visions shall provide educational management, operational services, and fundraising to the School. As compensation to New Visions for these services rendered, the School shall pay 8% of its Gross Revenues. Gross Revenue shall be defined as all such funding provided by the State, federal, and Local government (if applicable), but shall exclude any private grant funding awarded to the School.

The balance due to New Visions from the School at June 30, 2012 amounted to \$92,716. This amount is comprised of School expenses paid by New Visions on behalf of the School in the amount of \$26,767 and management fees of \$65,949. The entire amount due to New Visions was repaid subsequent to June 30, 2012. Total management fees incurred by the School for the period ended June 30, 2012 totaled \$184,742.

For operational efficiency and purchasing power, the School also shares expenses with three other charter schools related by common management. At June 30, 2012, the balance due from one of the charter schools was \$4,132, which was received subsequent to June 30, 2012.

- 6. PENSION PLAN:** The School maintains a pension plan qualified under Internal Revenue Code 403(b) plan (the “Plan”) for the benefit of its eligible employees. The Plan is an elective contribution plan. Employees are eligible to enroll in the Plan once they have completed at least 1 full year of service and completion of 1,000 work hours and are also eligible for discretionary employer contributions. The School’s contribution becomes fully vested after the sixth year of the employees’ service. Pension expense for the period ended June 30, 2012 was \$10,083, and is included in payroll taxes and employee benefits on the statement of functional expenses.

- 7. RISK MANAGEMENT:** The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to help protect itself from such risks.

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost 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.

- 8. CONCENTRATIONS:** Financial instruments that potentially subject the school to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation (FDIC) insured limits. The FDIC has temporarily increased the limit to \$250,000.

The School received approximately 70% of its total revenue from per pupil funding from NYCDOE during the period ended June 30, 2012.

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The School's grants and other receivables exclusively consist of three major grantors accounting for approximately 78% for the period ended June 30, 2012.

The School's payables consist of one major vendor accounting for approximately 48% for the period ended June 30, 2012.

**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 Trustees
New Visions Charter High School for Advanced Math and Science

We have audited the financial statements of New Visions Charter High School for Advanced Math and Science (the “School”) as of June 30, 2012 and for the period from December 14, 2010 (date of inception) through 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 the 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 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 would not necessarily 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 previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 the School in a separate letter dated October 29, 2012.

This report is intended solely for the information and use of the audit committee, Board of Trustees, management, the New York State Education Department and the Board of Regents of the University of the State of New York and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "M. B. A. F. CPA, LLC". The signature is written in a cursive, slightly slanted style.

New York, NY
October 29, 2012