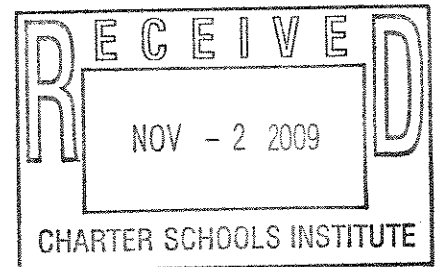


**THE UFT CHARTER SCHOOL**

**Financial Statements  
and  
Supplemental Schedules**

**For the Years Ended June 30, 2009 and 2008**



**THE UFT CHARTER SCHOOL**  
**For the Years Ended June 30, 2009 and 2008**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
The UFT Charter School

We have audited the accompanying statements of financial position of The UFT Charter School (the "School") as of June 30, 2009 and 2008, 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 The UFT Charter School as of June 30, 2009 and 2008, 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 23, 2009 on our consideration of The UFT 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 should be considered in assessing the results of our audit.



Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules of functional expenses are presented for the purpose 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 audits 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.

*Buchbinder Tunick & Company LLP*

BUCHBINDER TUNICK & COMPANY LLP

October 23, 2009

**THE UFT CHARTER SCHOOL**  
**Statements of Financial Position**  
**June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,033	\$ 12,186
Grants receivable	184,641	98,668
Other receivable	152	205,530
Inventory	12,119	38,284
Due from Green Dot NY Charter School	1,424	-
Prepaid expenses	65,752	27,254
Furniture and equipment, net	<u>811,147</u>	<u>772,843</u>
Total assets	<u>\$ 1,080,268</u>	<u>\$ 1,154,765</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 411,498	\$ 328,487
Due to United Federation of Teachers	159,119	1,122,748
Deferred revenue	32,408	32,575
Accrued sick and vacation pay	<u>140,953</u>	<u>120,926</u>
Total liabilities	<u>743,978</u>	<u>1,604,736</u>
<b>NET ASSETS (DEFICIT)</b>		
Unrestricted	291,760	(449,971)
Temporarily restricted	<u>44,530</u>	<u>-</u>
Total net assets (deficit)	<u>336,290</u>	<u>(449,971)</u>
Total liabilities and net assets	<u>\$ 1,080,268</u>	<u>\$ 1,154,765</u>

See notes to financial statements.

**THE UFT CHARTER SCHOOL**  
**Statements of Activities**  
**For the years ended June 30, 2009 and 2008**

	2009				2008			
	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted		
<b>Revenue:</b>								
Local per pupil operating revenue	\$ 9,189,280	\$ 9,189,280	\$ -	\$ 6,036,574	\$ 6,036,574	\$ -		
Government grants	911,816	-	911,816	321,778	-	321,778		
Contributions	1,099,943	506,000	593,943	252,208	-	242,208		
Fund-raising event, net of direct expenses of \$91,542 for 2009	-	-	-	205,530	205,530	-		
Interest income	4,588	4,588	-	13,958	13,958	-		
School uniform sales	7,525	7,525	-	10,269	10,269	-		
Other income	12,886	12,886	-	11,343	11,343	-		
Released from purpose restriction	-	1,461,229	(1,461,229)	-	563,986	(563,986)		
<b>Total operating revenue</b>	<b>11,226,038</b>	<b>11,181,508</b>	<b>44,530</b>	<b>6,851,660</b>	<b>6,851,660</b>	<b>-</b>		
<b>Expenses:</b>								
Program services:								
Educational	8,885,545	8,885,545	-	6,012,318	6,012,318	-		
Supporting services:								
Management and general	1,539,683	1,539,683	-	1,259,480	1,259,480	-		
Fund-raising	14,549	14,549	-	23,738	23,738	-		
<b>Total expenses</b>	<b>10,439,777</b>	<b>10,439,777</b>	<b>-</b>	<b>7,295,536</b>	<b>7,295,536</b>	<b>-</b>		
Change in net assets	786,261	741,731	44,530	(443,876)	(443,876)	-		
Net assets (deficit):								
Beginning of year	(449,971)	(449,971)	-	(6,095)	(6,095)	-		
End of year	<u>\$ 336,290</u>	<u>\$ 291,760</u>	<u>\$ 44,530</u>	<u>\$ (449,971)</u>	<u>\$ (449,971)</u>	<u>\$ -</u>		

See notes to financial statements.

**THE UFT CHARTER SCHOOL**  
**Statements of Cash Flows**  
**For the years ended June 30, 2009 and 2008**

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ 786,261	\$ (443,876)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	210,818	160,440
(Increase) decrease in operating assets:		
Grants receivable	(85,973)	251,120
Other receivable	205,378	(203,664)
Inventory	26,165	359
Due from Green Dot NY Charter School	(1,424)	-
Prepaid expenses	(38,498)	(21,714)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	83,011	44,351
Due to United Federation of Teachers	(963,629)	387,788
Deferred revenue	(167)	(33,213)
Accrued sick and vacation pay	20,027	52,733
	<u>241,969</u>	<u>194,324</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sale or redemption of investments	-	37,000
Additions to furniture and equipment	(249,122)	(290,734)
	<u>(249,122)</u>	<u>(253,734)</u>
Net cash (used in) investing activities		
(Decrease) in cash and cash equivalents	(7,153)	(59,410)
Cash and cash equivalents:		
Beginning of year	<u>12,186</u>	<u>71,596</u>
End of year	<u>\$ 5,033</u>	<u>\$ 12,186</u>

See notes to financial statements.

**THE UFT CHARTER SCHOOL**  
**Notes to Financial Statements**  
**June 30, 2009 and 2008**

**Note 1 - Nature of Organization**

The UFT Elementary Charter School (the "School") was formed under an education corporation that operates charter schools in the borough of Brooklyn, New York City. On July 21, 2005, 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 July 15, 2005 and renewable upon expiration. On July 25, 2006, the New York State Board of Regents approved a revision to the charter for the name of the schools to be changed to the "UFT Charter School". Beginning September 2006, the UFT Secondary Charter School commenced classes. The UFT Secondary Charter School operates under the same charter as the UFT Elementary Charter School.

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 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 financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 117 ("SFAS 117"), *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the School is required to report 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.

**THE UFT CHARTER SCHOOL**  
**Notes to Financial Statements (Continued)**  
**June 30, 2009 and 2008**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Net Assets (Continued)**

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the School. As of June 30, 2009 and 2008 the School did not have any permanently restricted net assets.

In August 2008, the Financial Accounting Standards Board issued Staff Position ("FSP") FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*. This FSP provides guidance on the net assets classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). The FSP also improves disclosures about an organization's endowed funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of New York has not adopted UPMIFA. The School has adopted FSP 117-1 for the year ended June 30, 2009.

**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.

**THE UFT CHARTER SCHOOL**  
**Notes to Financial Statements (Continued)**  
**June 30, 2009 and 2008**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Inventory**

Inventory is recorded at cost, which approximates its fair value. Inventory at June 30, 2009 and 2008 consists of shirts to be worn as part of a school uniform. The shirts are available for sale only to students and their families.

**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.

**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 statements of activities as net assets released from restrictions.

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.

**THE UFT CHARTER SCHOOL**  
**Notes to Financial Statements (Continued)**  
**June 30, 2009 and 2008**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Subsequent Events**

In May 2009, the FASB issued SFAS No. 165 ("SFAS 165"), *Subsequent Events*. The objective of SFAS 165 is to establish general standards of accounting for and disclosure of events and transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. The School adopted SFAS 165 during the year ended June 30, 2009. The adoption of SFAS 165 did not have a material impact on the School's financial statements.

The School has evaluated subsequent events and transactions through October 23, 2009, the date that the School's financial statements were available to be issued.

**Note 3 - Furniture and Equipment**

At June 30, 2009 and 2008, furniture and equipment consisted of:

	<u>2009</u>	<u>2008</u>
Classroom and office furniture	\$ 342,071	\$ 290,144
Classroom and office computers and equipment	<u>926,897</u>	<u>729,702</u>
	1,268,968	1,019,846
Less: accumulated depreciation	<u>(457,821)</u>	<u>(247,003)</u>
Furniture and equipment, net	<u>\$ 811,147</u>	<u>\$ 772,843</u>

During 2009 and 2008, depreciation expense amounted to \$210,818 and \$160,440, respectively.

**THE UFT CHARTER SCHOOL**  
**Notes to Financial Statements (Continued)**  
**June 30, 2009 and 2008**

**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, 2009 and 2008, the School was allocated \$260,217 and \$242,208 from these entities, respectively. Allocated expenses consisted mainly of salaries, payroll taxes and employee benefits. Of these allocated expenses the UFT contributed \$130,109 and \$242,208 of the allocated expenses to the School for the years ended June 30, 2009 and 2008, respectively.

**Note 5 - Temporarily Restricted Net Assets**

At June 30, 2009 and 2008, temporarily restricted net assets were available for the following purposes:

	2009	2008
Temporarily restricted:		
"IDEA" Grant	\$ 33,030	\$ -
Title I Grant 9/1/08-8/31/09	11,500	-
Total temporarily restricted net assets	\$ 44,530	\$ -

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, 2009 the School's endowment assets consisted of temporarily restricted net assets invested in cash and cash equivalents.

**Note 6 - Pension Plan**

Effective fiscal year 2008 The UFT Charter School began contributing to the Teachers Retirement System, a defined contribution plan. The total amounts contributed for the years ended June 30, 2009 and 2008 were \$746,748 and \$241,816, respectively.

**THE UFT CHARTER SCHOOL**  
**Notes to Financial Statements (Continued)**  
**June 30, 2009 and 2008**

**Note 7 - 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 programs.

**Note 8 - Tax Status**

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

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109 that prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

In February 2008 and December 30, 2008, the FASB issued Staff Position ("FSP") FIN 48-2 and 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, respectively, to defer the effective date of FIN 48 for certain nonpublic organizations to the annual financial statements for fiscal years beginning after December 15, 2008. The School has elected to defer the adoption of FIN 48 and does not expect it to have a material impact on its financial statements.

**THE UFT CHARTER SCHOOL**  
**(Supplemental Schedules)**  
**Schedules of Functional Expenses**  
**For the years ended June 30, 2009 and 2008**

	2009			2008				
	Educational	Management and General	Fundraising	Total	Educational	Management and General	Fundraising	Total
Salaries	\$ 5,654,494	\$ 688,981	\$ 10,969	\$ 6,354,444	\$ 3,917,646	\$ 666,562	\$ 18,635	\$ 4,602,843
Payroll taxes	430,058	52,401	834	483,293	304,533	51,811	1,467	357,811
Employee benefits	1,320,415	160,888	2,561	1,483,864	669,931	113,977	3,228	787,136
Provision for sick and vacation pay	24,660	(4,633)	-	20,027	37,754	14,979	-	52,733
Classroom textbooks and supplies	208,027	-	-	208,027	140,844	-	-	140,844
Classroom furniture and equipment	51,365	-	-	51,365	25,955	-	-	25,955
Office furniture and equipment	38,247	16,081	-	54,328	22,308	9,379	-	31,687
Consulting	-	258,642	-	258,642	-	116,937	-	116,937
After school program	726,434	-	-	726,434	565,497	-	-	565,497
School uniforms	60,000	-	-	60,000	18,310	-	-	18,310
Insurance	29,669	41,286	-	70,955	30,969	46,094	-	77,063
Telephone	36,708	4,473	71	41,252	45,027	7,661	217	52,905
Meetings and conferences	-	88,433	-	88,433	-	38,106	-	38,106
Auditing	-	26,000	-	26,000	-	25,000	-	25,000
Teacher recruitment	30,182	-	-	30,182	30,800	-	-	30,800
Student recruitment	978	-	-	978	10,094	-	-	10,094
Printing	11,559	1,408	23	12,990	2,469	420	12	2,901
Office supplies	-	71,278	-	71,278	-	50,182	-	50,182
Postage	5,369	654	11	6,034	2,553	434	13	3,000
Copying	-	-	-	-	528	90	3	621
Teachers' discretionary	37,804	-	-	37,804	25,366	-	-	25,366
Student trips	22,578	-	-	22,578	19,117	-	-	19,117
Food service	22,584	-	-	22,584	21,234	-	-	21,234
Equipment rental	-	1,209	-	1,209	-	1,336	-	1,336
Maintenance and supplies	-	16,071	-	16,071	-	10,651	-	10,651
Payroll processing	6,926	844	14	7,784	5,475	931	27	6,433
Student testing materials	36,153	-	-	36,153	27,236	-	-	27,236
Depreciation	99,081	111,737	-	210,818	60,332	100,108	-	160,440
Miscellaneous	32,254	3,930	66	36,250	28,340	4,822	136	33,298
<b>Total</b>	<b>\$ 8,885,545</b>	<b>\$ 1,539,683</b>	<b>\$ 14,549</b>	<b>\$ 10,439,777</b>	<b>\$ 6,012,318</b>	<b>\$ 1,259,480</b>	<b>\$ 23,738</b>	<b>\$ 7,295,536</b>

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  
The UFT Charter School

We have audited the financial statements of The UFT Charter School (the "School") as of and for the year ended June 30, 2009, and have issued our report thereon dated October 23, 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 The UFT 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 UFT Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The UFT 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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity'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 The UFT 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 The UFT 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 23, 2009