

THE UFT CHARTER SCHOOL

**Financial Statements
and
Supplemental Schedules**

For the Years Ended June 30, 2011 and 2010

THE UFT CHARTER SCHOOL
For the Years Ended June 30, 2011 and 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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 27, 2011 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on page 12 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Buchbinder Tunick & Company LLP

BUCHBINDER TUNICK & COMPANY LLP

October 27, 2011

THE UFT CHARTER SCHOOL
Statements of Financial Position
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 71,316	\$ 518,022
Grants receivable	385,068	586,728
Other receivable	710	577
Inventory	50,062	50,789
Due from Green Dot NY Charter School	1,590	1,590
Prepaid expenses	29,969	20,600
Furniture and equipment, net	<u>859,797</u>	<u>1,142,923</u>
 Total assets	 <u>\$ 1,398,512</u>	 <u>\$ 2,321,229</u>
LIABILITIES AND NET (DEFICIT) ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 146,074	\$ 518,607
Due to United Federation of Teachers	1,787,098	2,629,353
Due to UFT Welfare Fund	17,183	17,782
Accrued sick and vacation pay	<u>291,105</u>	<u>199,515</u>
 Total liabilities	 <u>2,241,460</u>	 <u>3,365,257</u>
Net (deficit) assets:		
Unrestricted	(921,171)	(1,105,171)
Temporarily restricted	<u>78,223</u>	<u>61,143</u>
 Total net (deficit)	 <u>(842,948)</u>	 <u>(1,044,028)</u>
 Total liabilities and net (deficit) assets	 <u>\$ 1,398,512</u>	 <u>\$ 2,321,229</u>

See notes to financial statements.

THE UFT CHARTER SCHOOL
Statements of Activities
For the years ended June 30, 2011 and 2010

	2011			2010		
	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted
Revenue:						
Local per pupil operating revenue	\$ 12,749,153	\$ 12,749,153	\$ -	\$ 10,686,610	\$ 10,686,610	\$ -
Government grants	543,940	-	543,940	744,121	-	744,121
Contributions	204,263	-	204,263	284,700	10,000	274,700
Interest income	638	638	-	1,582	1,582	-
School uniform sales	21,735	21,735	-	19,534	19,534	-
Other income	59,486	59,486	-	10,421	10,421	-
Net assets released from purpose restriction	-	731,123	(731,123)	-	1,002,208	(1,002,208)
Total operating revenue	13,579,215	13,562,135	17,080	11,746,968	11,730,355	16,613
Expenses:						
Program services:						
Regular Education	10,676,782	10,676,782	-	10,777,095	10,777,095	-
Special Education	1,184,938	1,184,938	-	679,834	679,834	-
Supporting services:						
Management and general	1,498,915	1,498,915	-	1,657,326	1,657,326	-
Fund-raising	17,500	17,500	-	13,031	13,031	-
Total expenses	13,378,135	13,378,135	-	13,127,286	13,127,286	-
Change in net assets	201,080	184,000	17,080	(1,380,318)	(1,396,931)	16,613
Net (deficit) assets:						
Beginning of year	(1,044,028)	(1,105,171)	61,143	336,290	291,760	44,530
End of year	\$ (842,948)	\$ (921,171)	\$ 78,223	\$ (1,044,028)	\$ (1,105,171)	\$ 61,143

See notes to financial statements.

THE UFT CHARTER SCHOOL
Statements of Cash Flows
For the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 201,080	\$ (1,380,318)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	344,596	292,137
(Increase) decrease in operating assets:		
Grants receivable	201,660	(402,087)
Other receivable	(133)	(425)
Inventory	727	(38,670)
Due from Green Dot NY Charter School	-	(166)
Prepaid expenses	(9,369)	45,152
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(372,533)	107,109
Due to UFT Welfare Fund	(599)	17,782
Accrued sick and vacation pay	91,590	58,562
Deferred revenue	<u>-</u>	<u>(32,408)</u>
 Net cash provided by (used in) operating activities	 <u>457,019</u>	 <u>(1,333,332)</u>
 Cash flows from investing activities:		
Additions to furniture and equipment	<u>(61,470)</u>	<u>(623,913)</u>
 Net cash (used in) investing activities	 <u>(61,470)</u>	 <u>(623,913)</u>
 Cash flows from financing activities:		
Due to United Federation of Teachers	<u>(842,255)</u>	<u>2,470,234</u>
 Net cash (used in) provided by financing activities	 <u>(842,255)</u>	 <u>2,470,234</u>
 Net (decrease) increase in cash and cash equivalents	 (446,706)	 512,989
 Cash and cash equivalents:		
Beginning of year	<u>518,022</u>	<u>5,033</u>
 End of year	 <u>\$ 71,316</u>	 <u>\$ 518,022</u>

See notes to financial statements.

THE UFT CHARTER SCHOOL
Notes to Financial Statements
June 30, 2011 and 2010

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 school 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 to help prepare students for meaningful lives as full democratic citizens in a free society.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting and Presentation

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

The School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Net Assets

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

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

THE UFT CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2011 and 2010

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, 2011 and 2010, the School did not have any permanently restricted net assets.

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Grants Receivable

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

Inventory

Inventory is recorded at cost, which approximates fair value. Inventory at June 30, 2011 and 2010 consists of shirts to be worn as part of a school uniform. The shirts are available for sale only to students and their families.

THE UFT CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

Furniture and Equipment

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

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

Contributions and Grants

Contributions and grant revenue received are recorded as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the 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, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

Subsequent Events

The School has evaluated subsequent events and transactions through October 27, 2011, the date that the financial statements were available to be issued.

Note 3 - Furniture and Equipment

At June 30, 2011 and 2010, furniture and equipment consisted of:

	2011	2010
Classroom and office furniture	\$ 530,024	\$ 499,597
Classroom and office computers and equipment	1,424,327	1,393,284
	1,954,351	1,892,881
Less: accumulated depreciation	(1,094,554)	(749,958)
Furniture and equipment, net	\$ 859,797	\$ 1,142,923

During the years ended June 30, 2011 and 2010, depreciation expense amounted to \$344,596 and \$292,137, respectively.

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, 2011 and 2010, the School was allocated \$272,351 and \$274,700 from these entities, respectively. Allocated expenses consisted mainly of salaries, payroll taxes and employee benefits. Of these allocated expenses, the UFT contributed \$204,263 and \$274,700 to the School for the years ended June 30, 2011 and 2010, respectively.

THE UFT CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2011 and 2010

Note 5 - Temporarily Restricted Net Assets

At June 30, 2011 and 2010, temporarily restricted net assets were available for the following purposes:

	2011	2010
Temporarily restricted:		
Title I Grant - NYS Department of Education 9/1/09 - 8/31/10	\$ -	\$ 34,669
Title I Grant - American Recovery and Reinvestment Act 9/1/09 - 8/31/10	-	26,474
Title I Grant - NYS Department of Education 9/1/10 - 8/31/11	72,533	-
Title IIA Grant - NYS Department of Education 9/1/10 - 8/31/11	5,690	-
Total temporarily restricted net assets	\$ 78,233	\$ 61,143

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

Note 6 - Pension Plan

Effective fiscal year 2008, the School began contributing to the Teachers Retirement System, a defined contribution plan. The total amounts contributed for the years ended June 30, 2011 and 2010 were \$1,359,352 and \$1,087,086, respectively.

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.

THE UFT CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2011 and 2010

Note 7 - Concentrations (Continued)

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 (the "IRS") to be exempt from Federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code (the "IRC").

The School files an annual return Form 990, *Return of Organization Exempt from Income Tax*, with the IRS. At June 30, 2011, the School's Form 990s for the years 2008 through 2011 remain eligible for examination by the IRS.

**THE UFT CHARTER SCHOOL
(Supplemental Schedules)
Schedules of Functional Expenses
For the years ended June 30, 2011 and 2010**

	2011					2010				
	Program Services		Supporting Services			Program Services		Supporting Services		
	Regular Education	Special Education	Management and General	Fund-raising	Total	Regular Education	Special Education	Management and General	Fund-raising	Total
Salaries	\$ 6,552,189	\$ 789,983	\$ 720,884	\$ 9,731	\$ 8,072,787	\$ 6,687,574	\$ 418,281	\$ 576,016	\$ 9,480	\$ 7,691,351
Payroll taxes	538,676	64,909	71,567	1,466	676,618	572,114	35,794	49,283	790	657,981
Employee benefits	1,971,601	237,527	276,650	6,164	2,491,942	1,819,235	113,820	156,712	2,510	2,092,277
Provision for sick and vacation pay	66,888	9,972	14,730	-	91,590	45,766	(188)	12,984	-	58,562
Classroom textbooks and supplies	143,474	8,014	-	-	151,488	262,558	19,945	-	-	282,503
Classroom furniture and equipment	51,012	2,849	-	-	53,861	70,436	5,351	-	-	75,787
Office furniture and equipment	-	-	40,280	-	40,280	-	-	51,816	-	51,816
Consulting	-	-	87,022	-	87,022	-	-	179,425	-	179,425
After school program	725,677	40,533	-	-	766,210	827,485	62,858	-	-	890,343
School uniforms	38,088	2,127	-	-	40,215	28,181	2,141	-	-	30,322
Insurance	21,558	2,538	70,221	-	94,317	22,709	2,199	58,034	-	82,942
Telephone	51,174	6,171	5,630	75	63,050	44,441	2,780	3,828	62	51,111
Meetings and conferences	-	-	38,764	-	38,764	-	-	100,206	-	100,206
Auditing	-	-	28,200	-	28,200	-	-	27,100	-	27,100
Teacher recruitment	55,128	3,079	-	-	58,207	13,974	1,061	-	-	15,035
Student recruitment	-	-	-	-	-	7,395	562	-	-	7,957
Printing	10,376	1,251	1,142	15	12,784	23,103	1,445	1,990	33	26,571
Office supplies	-	-	12,834	-	12,834	-	-	19,256	-	19,256
Postage	6,886	830	758	10	8,484	7,743	484	667	12	8,906
Copying	-	-	-	-	-	228	14	20	-	262
Teachers' discretionary	33,763	1,886	-	-	35,649	33,229	2,524	-	-	35,753
Student trips	89,411	4,994	-	-	94,405	63,809	3,992	5,497	88	73,386
Food service	34,005	1,899	-	-	35,904	8,888	675	-	-	9,563
Repairs and maintenance	-	-	(40,525)	-	(40,525)	-	-	245,623	-	245,623
Equipment rental	-	-	994	-	994	-	-	903	-	903
Maintenance and supplies	-	-	23,951	-	23,951	-	-	23,912	-	23,912
Payroll processing	8,258	996	909	12	10,175	7,609	476	655	11	8,751
Student testing materials	14,429	806	-	-	15,235	20,664	1,570	-	-	22,234
School programs	44,405	2,391	-	-	46,796	27,006	1,971	-	-	28,977
Depreciation	201,683	-	142,913	-	344,596	151,600	-	140,537	-	292,137
Miscellaneous	18,101	2,183	1,991	27	22,302	31,348	2,079	2,862	45	36,334
Total expenses	\$ 10,676,782	\$ 1,184,938	\$ 1,498,915	\$ 17,500	\$ 13,378,135	\$ 10,777,095	\$ 679,834	\$ 1,657,326	\$ 13,031	\$ 13,127,286

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, 2011, and have issued our report thereon dated October 27, 2011. 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 UFT Charter School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 27, 2011

THE UFT CHARTER SCHOOL
Schedule of Prior Year Audit Findings
For the years ended June 30, 2011 and 2010

Financial Statement Findings

Finding 2010-1

During the year ended June 30, 2010, The UFT Charter School's management opened a bank account dedicated for specific school operating activities. In creating this bank account, management did not inform the finance and accounting department as to this matter. Additionally, management did not inquire of the finance and accounting department as to The UFT Charter School's internal control policy with respect to the creation of new bank accounts with financial institutions.

Auditor's Recommendation:

We recommend that management be informed of The UFT Charter School internal control policy with respect to the creation of new bank accounts. Additionally, the communication process between the bank and The UFT Charter School with respect to the creation of new bank accounts should be restricted to senior personnel of the accounting and finance department.

Views of Management and Planned Corrective Actions:

The accounting/finance department will reinforce to The UFT Charter School's management the existing internal control policy regarding the creation of new bank accounts. The creation and management of all bank accounts for The UFT Charter School is restricted to senior management of the accounting/finance department.

Resolution of Prior Year Findings:

During the fiscal year ended June 30, 2011, the Accounting/Finance department reinforced to the UFT Charter School's management the internal control policies regarding the creation and management of bank accounts. The Accounting department also reminded the school's management of the policy and procedures regarding documentation and controls.