

**THE UFT CHARTER SCHOOL**

**Financial Statements  
and  
Supplemental Schedules**

**For the Years Ended June 30, 2012 and 2011**

**THE UFT CHARTER SCHOOL**  
**For the Years Ended June 30, 2012 and 2011**

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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, 2012 and 2011, 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, 2012 and 2011, 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 29, 2012 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 29, 2012

**THE UFT CHARTER SCHOOL**  
**Statements of Financial Position**  
**June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Assets:		
Cash and cash equivalents	\$ 121,419	\$ 71,316
Grants receivable	302,409	385,068
Other receivable	307	710
Inventory	43,398	50,062
Due from Green Dot NY Charter School	-	1,590
Prepaid expenses	-	29,969
Furniture and equipment, net	<u>685,309</u>	<u>859,797</u>
 Total assets	 <u>\$ 1,152,842</u>	 <u>\$ 1,398,512</u>
<b>LIABILITIES AND NET (DEFICIT) ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 228,772	\$ 146,074
Due to United Federation of Teachers	1,947,397	1,787,098
Due to UFT Welfare Fund	-	17,183
Due to Green Dot NY Charter School	749	-
Accrued sick and vacation pay	<u>357,043</u>	<u>291,105</u>
 Total liabilities	 <u>2,533,961</u>	 <u>2,241,460</u>
Net (deficit) assets:		
Unrestricted	(1,450,760)	(921,171)
Temporarily restricted	<u>69,641</u>	<u>78,223</u>
 Total net (deficit)	 <u>(1,381,119)</u>	 <u>(842,948)</u>
 Total liabilities and net (deficit) assets	 <u>\$ 1,152,842</u>	 <u>\$ 1,398,512</u>

See notes to financial statements.

**THE UFT CHARTER SCHOOL**  
**Statements of Activities**  
**For the years ended June 30, 2012 and 2011**

	2012			2011*		
	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted
<b>Revenue:</b>						
Local per pupil operating revenue	\$ 13,228,173	\$ 13,228,173	\$ -	\$ 12,749,153	\$ 12,749,153	\$ -
Government grants	386,715	-	386,715	543,940	-	543,940
Contributions	241,570	2,900	238,670	204,263	-	204,263
Interest income	270	270	-	638	638	-
School uniform sales	22,525	22,525	-	21,735	21,735	-
Other income	52,464	52,464	-	59,486	59,486	-
Net assets released from purpose restriction	-	633,967	(633,967)	-	731,123	(731,123)
Total operating revenue	<u>13,931,717</u>	<u>13,940,299</u>	<u>(8,582)</u>	<u>13,579,215</u>	<u>13,562,135</u>	<u>17,080</u>
<b>Expenses:</b>						
Program services:						
Regular Education	11,585,928	11,585,928	-	10,677,268	10,677,268	-
Special Education	1,313,628	1,313,628	-	1,185,063	1,185,063	-
Supporting services:						
Management and general	1,555,137	1,555,137	-	1,498,366	1,498,366	-
Fund-raising	15,195	15,195	-	17,438	17,438	-
Total expenses	<u>14,469,888</u>	<u>14,469,888</u>	<u>-</u>	<u>13,378,135</u>	<u>13,378,135</u>	<u>-</u>
Change in net assets	(538,171)	(529,589)	(8,582)	201,080	184,000	17,080
<b>Net (deficit) assets:</b>						
Beginning of year	<u>(842,948)</u>	<u>(921,171)</u>	<u>78,223</u>	<u>(1,044,028)</u>	<u>(1,105,171)</u>	<u>61,143</u>
End of year	<u>\$ (1,381,119)</u>	<u>\$ (1,450,760)</u>	<u>\$ 69,641</u>	<u>\$ (842,948)</u>	<u>\$ (921,171)</u>	<u>\$ 78,223</u>

\* Restated for comparative purposes.

See notes to financial statements.

**THE UFT CHARTER SCHOOL**  
**Statements of Cash Flows**  
**For the years ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (538,171)	\$ 201,080
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	329,158	344,596
(Increase) decrease in operating assets:		
Grants receivable	82,659	201,660
Other receivable	403	(133)
Inventory	6,664	727
Due from Green Dot NY Charter School	1,590	-
Prepaid expenses	29,969	(9,369)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	82,698	(372,533)
Due to UFT Welfare Fund	(17,183)	(599)
Due to Green Dot NY Charter School	749	-
Accrued sick and vacation pay	65,938	91,590
	<u>44,474</u>	<u>457,019</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Additions to furniture and equipment	<u>(154,670)</u>	<u>(61,470)</u>
Net cash (used in) investing activities	<u>(154,670)</u>	<u>(61,470)</u>
Cash flows from financing activities:		
Due to (from) United Federation of Teachers	<u>160,299</u>	<u>(842,255)</u>
Net cash provided by (used in) financing activities	<u>160,299</u>	<u>(842,255)</u>
Net increase (decrease) in cash and cash equivalents	50,103	(446,706)
Cash and cash equivalents:		
Beginning of year	<u>71,316</u>	<u>518,022</u>
End of year	<u>\$ 121,419</u>	<u>\$ 71,316</u>

See notes to financial statements.

**THE UFT CHARTER SCHOOL**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 1 - Nature of Organization**

The UFT Elementary Charter 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 UFT Elementary Charter School to be changed to the UFT Charter School (the "School"). Beginning September 2006, the UFT Secondary Charter School commenced classes. The UFT Secondary Charter School operates under the same charter as the School.

The School's mission is to prepare all students to achieve academic and personal excellence, 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, 2012 and 2011**

**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, 2012 and 2011, 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 net realizable value. Inventory at June 30, 2012 and 2011 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, 2012 and 2011**

**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, 2012 and 2011**

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

**Subsequent Events**

The School has evaluated subsequent events and transactions through October 29, 2012, the date that the financial statements were available to be issued.

**Note 3 - Furniture and Equipment**

At June 30, 2012 and 2011, furniture and equipment consisted of:

	2012	2011
Classroom and office furniture	\$ 604,762	\$ 530,024
Classroom and office computers and equipment	1,504,259	1,424,327
	2,109,021	1,954,351
Less: accumulated depreciation	(1,423,712)	(1,094,554)
Furniture and equipment, net	\$ 685,309	\$ 859,797

During the years ended June 30, 2012 and 2011, depreciation expense amounted to \$329,158 and \$344,596, 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, 2012 and 2011, the School was allocated \$313,546 and \$272,351 from these entities, respectively. Allocated expenses consisted mainly of salaries, payroll taxes and employee benefits. Of these allocated expenses, the UFT contributed \$235,160 and \$204,263 to the School for the years ended June 30, 2012 and 2011, respectively.

**THE UFT CHARTER SCHOOL**  
**Notes to Financial Statements (Continued)**  
**June 30, 2012 and 2011**

**Note 5 - Temporarily Restricted Net Assets**

At June 30, 2012 and 2011, temporarily restricted net assets were available for the following purposes:

	2012	2011
Temporarily restricted:		
Title I Grant - NYS Department of Education 9/1/11- 8/31/12	\$ 69,641	\$ -
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	\$ 69,641	\$ 78,223

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, 2012 and 2011, the School's endowment assets consisted of temporarily restricted net assets invested in cash and cash equivalents.

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, 2012 and 2011 were \$961,847 and \$1,359,352, respectively.

**THE UFT CHARTER SCHOOL**  
**Notes to Financial Statements (Continued)**  
**June 30, 2012 and 2011**

**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 (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, 2012, the School's Form 990s for the years 2009 through 2012 remain eligible for examination by the IRS.

**THE UFT CHARTER SCHOOL  
(Supplemental Schedules)  
Schedules of Functional Expenses  
For the years ended June 30, 2012 and 2011**

	2012					2011*				
	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	\$ 7,159,644	\$ 875,792	\$ 808,256	\$ 10,251	\$ 8,853,943	\$ 6,552,189	\$ 789,983	\$ 720,884	\$ 9,731	\$ 8,072,787
Payroll taxes	631,616	77,272	67,561	711	777,160	538,676	64,909	71,567	1,466	676,618
Employee benefits	1,800,805	220,196	232,337	4,080	2,257,418	1,951,574	235,114	273,840	6,102	2,466,630
Provision for sick and vacation pay	41,789	10,795	13,354	-	65,938	66,888	9,972	14,730	-	91,590
Classroom textbooks and supplies	299,156	21,003	-	-	320,159	143,474	8,014	-	-	151,488
Classroom furniture and equipment	103,918	7,295	-	-	111,213	51,012	2,849	-	-	53,861
Office furniture and equipment	-	-	23,173	-	23,173	-	-	40,280	-	40,280
Consulting	-	-	92,847	-	92,847	-	-	87,022	-	87,022
After school program	810,435	56,897	-	-	867,332	725,677	40,533	-	-	766,210
School uniforms	57,441	4,033	-	-	61,474	38,088	2,127	-	-	40,215
Insurance	37,753	4,621	73,104	-	115,478	42,071	5,076	72,482	-	119,629
Telephone	38,894	4,757	4,391	57	48,099	51,174	6,171	5,630	75	63,050
Meetings and conferences	-	-	39,007	-	39,007	-	-	38,764	-	38,764
Auditing	-	-	28,800	-	28,800	-	-	28,200	-	28,200
Teacher recruitment	35,987	2,526	-	-	38,513	55,128	3,079	-	-	58,207
Printing	17,272	2,112	1,950	27	21,361	10,376	1,251	1,142	15	12,784
Office supplies	-	-	11,612	-	11,612	-	-	12,834	-	12,834
Postage	12,841	1,571	1,450	19	15,881	6,886	830	758	10	8,484
Copying	240	23	24	1	288	-	-	-	-	-
Teachers' discretionary	16,539	1,161	-	-	17,700	33,763	1,886	-	-	35,649
Student trips	96,339	6,763	-	-	103,102	89,411	4,994	-	-	94,405
Food service	34,331	2,410	-	-	36,741	34,005	1,899	-	-	35,904
Repairs and maintenance	-	-	225	-	225	-	-	(40,525)	-	(40,525)
Equipment rental	-	-	445	-	445	-	-	994	-	994
Maintenance and supplies	-	-	34,197	-	34,197	-	-	23,951	-	23,951
Payroll processing	8,060	986	910	12	9,968	8,258	996	909	12	10,175
Student testing materials	67,376	4,731	-	-	72,107	14,429	806	-	-	15,235
School programs	79,771	5,600	-	-	85,371	44,405	2,391	-	-	46,796
Depreciation	210,511	-	118,647	-	329,158	201,683	-	142,913	-	344,596
Miscellaneous	25,210	3,084	2,847	37	31,178	18,101	2,183	1,991	27	22,302
<b>Total expenses</b>	<b>\$ 11,585,928</b>	<b>\$ 1,313,628</b>	<b>\$ 1,555,137</b>	<b>\$ 15,195</b>	<b>\$ 14,469,888</b>	<b>\$ 10,677,268</b>	<b>\$ 1,185,063</b>	<b>\$ 1,498,366</b>	<b>\$ 17,438</b>	<b>\$ 13,378,135</b>

\* Restated for comparative purposes.

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, 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 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 29, 2012