

GREEN DOT NEW YORK CHARTER SCHOOL

**Financial Statements
and
Supplemental Schedules**

For the Years Ended June 30, 2010 and 2009

**GREEN DOT NEW YORK CHARTER SCHOOL
For the Years Ended June 30, 2010 and 2009**

INDEX

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-10
Supplemental Schedules	
Schedules of Functional Expenses	11
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 <i>Government Auditing Standards</i>	12-13

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Green Dot New York Charter School

We have audited the accompanying statements of financial position of Green Dot New York Charter School (the "School") as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of 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 Green Dot New York Charter School as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2010 on our consideration of Green Dot New York 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 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 26, 2010

GREEN DOT NEW YORK CHARTER SCHOOL
Statements of Financial Position
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 706,141	\$ 71,198
Grants receivable	443,357	400,478
Other receivable	-	45,428
Prepaid expenses	72,415	32,559
Construction in progress	-	36,699
Furniture and equipment, net	<u>539,525</u>	<u>534,077</u>
Total assets	<u>\$ 1,761,438</u>	<u>\$ 1,120,439</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 115,988	\$ 92,239
Due to United Federation of Teachers	81,371	294,247
Due to UFT Welfare Fund	3,348	-
Due to the UFT Charter School	1,590	1,424
Accrued sick and vacation pay	<u>70,073</u>	<u>22,489</u>
Total liabilities	<u>272,370</u>	<u>410,399</u>
NET ASSETS		
Unrestricted	1,458,510	707,696
Temporarily restricted	<u>30,558</u>	<u>2,344</u>
Total net assets	<u>1,489,068</u>	<u>710,040</u>
Total liabilities and net assets	<u>\$ 1,761,438</u>	<u>\$ 1,120,439</u>

See notes to financial statements.

GREEN DOT NEW YORK CHARTER SCHOOL
Statements of Activities
For the years ended June 30, 2010 and 2009

	2010			2009*		
	Total	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted
Revenue:						
Local per pupil operating revenue	\$ 2,942,395	\$ 2,942,395	\$ -	\$ 1,592,073	\$ 1,592,073	\$ -
Government grants	531,384	-	531,384	550,782	-	550,782
Contributions	219,685	151,010	68,675	328,048	225,010	103,038
Interest income	6,625	6,625	-	1,631	1,631	-
Released from purpose restriction	-	571,845	(571,845)	-	651,476	(651,476)
Total operating revenue	<u>3,700,089</u>	<u>3,671,875</u>	<u>28,214</u>	<u>2,472,534</u>	<u>2,470,190</u>	<u>2,344</u>
Expenses:						
Program services:						
Regular Education	1,956,615	1,956,615	-	1,169,681	1,169,681	-
Special Education	117,984	117,984	-	116,013	116,013	-
Supporting services:						
Management and general	840,589	840,589	-	469,468	469,468	-
Fund-raising	5,873	5,873	-	7,332	7,332	-
Total expenses	<u>2,921,061</u>	<u>2,921,061</u>	<u>-</u>	<u>1,762,494</u>	<u>1,762,494</u>	<u>-</u>
Change in net assets	779,028	750,814	28,214	710,040	707,696	2,344
Net assets:						
Beginning of year	<u>710,040</u>	<u>707,696</u>	<u>2,344</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 1,489,068</u>	<u>\$ 1,458,510</u>	<u>\$ 30,558</u>	<u>\$ 710,040</u>	<u>\$ 707,696</u>	<u>\$ 2,344</u>

* Reclassified for comparative purposes.

See notes to financial statements.

GREEN DOT NEW YORK CHARTER SCHOOL
Statements of Cash Flows
For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 779,028	\$ 710,040
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	124,521	56,361
(Increase) decrease in operating assets:		
Grants receivable	(42,879)	(400,478)
Other receivable	45,428	(45,428)
Prepaid expenses	(39,856)	(32,559)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	23,749	92,239
Due to United Federation of Teachers	(212,876)	294,247
Due to UFT Welfare Fund	3,348	-
Due to the UFT Charter School	166	1,424
Accrued sick and vacation pay	<u>47,584</u>	<u>22,489</u>
Net cash provided by operating activities	<u>728,213</u>	<u>698,335</u>
Cash flows from investing activities:		
Additions to furniture and equipment	(93,270)	(590,438)
Additions to construction in progress	<u>-</u>	<u>(36,699)</u>
Net cash (used in) investing activities	<u>(93,270)</u>	<u>(627,137)</u>
Net increase in cash and cash equivalents	634,943	71,198
Cash and cash equivalents:		
Beginning of year	<u>71,198</u>	<u>-</u>
End of year	<u>\$ 706,141</u>	<u>\$ 71,198</u>

See notes to financial statements.

GREEN DOT NEW YORK CHARTER SCHOOL
Notes to Financial Statements
June 30, 2010 and 2009

Note 1 - Nature of Organization

The Green Dot New York Charter School (the "School") was formed under an education corporation that operates charter schools in the borough of the Bronx, New York City. On January 15, 2008, 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 January 15, 2008, and renewable upon expiration.

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.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the School. As of June 30, 2010 and 2009, the School did not have any permanently restricted net assets.

The State of New York has not adopted UPMIFA.

GREEN DOT NEW YORK CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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 statement 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.

GREEN DOT NEW YORK CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Subsequent Events

The School has evaluated subsequent events and transactions through October 26, 2010, the date that the School's financial statements were available to be issued.

Note 3 - Furniture and Equipment

Furniture and equipment at June 30, 2010 and 2009 consisted of:

	<u>2010</u>	<u>2009</u>
Classroom and office furniture	\$ 135,813	\$ 93,902
Classroom and office computers and equipment	<u>584,594</u>	<u>496,536</u>
	720,407	590,438
Less: accumulated depreciation	<u>(180,882)</u>	<u>(56,361)</u>
Furniture and equipment, net	<u>\$ 539,525</u>	<u>\$ 534,077</u>

GREEN DOT NEW YORK CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2010 and 2009

Note 3 - Furniture and Equipment (Continued)

During the years ended June 30, 2010 and 2009, depreciation expense amounted to \$124,521 and \$56,361, 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 to effectuate cost savings and to minimize duplication of efforts. During the years ended June 30, 2010 and 2009, the School was allocated \$137,350 and \$130,107, respectively, from the UFT. Allocated expenses consisted mainly of salaries, payroll taxes and employee benefits. Of these allocated expenses, the UFT contributed \$68,675 and \$65,054 to the School for the years ended June 30, 2010 and 2009, respectively.

Note 5 - Partner's Operating Costs

Partner's operating costs represent expenses (*i.e.*, salaries, insurance, travel, consulting, etc.) incurred by Green Dot on behalf of the School. These costs have been reimbursed by the School.

Note 6 - Temporarily Restricted Net Assets

At June 30, 2010 and 2009, temporarily restricted net assets were available for the following purposes:

	2010	2009
Temporarily restricted:		
Title I Grant- NYS Department of Education 9/1/09-8/31/10	\$ 20,209	\$ -
Title I Grant- American Recovery and Reinvestment Act 9/1/09-8/31/10	10,349	-
Title IIA Grant 9/1/08-8/31/09	-	2,344
	\$ 30,558	\$ 2,344

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, 2010 and 2009, the School's endowment assets consisted of temporarily restricted net assets invested in cash and cash equivalents.

GREEN DOT NEW YORK CHARTER SCHOOL
Notes to Financial Statements (Continued)
June 30, 2010 and 2009

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 operations.

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 "Code").

The FASB established guidance on accounting for uncertainty in income taxes. This guidance 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. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The School files an annual return Form 990, *Return of Organization Exempt from Income Tax*, with the IRS. At June 30, 2010, the School's Form 990s for the years 2006 through 2009 remain eligible for examination by the IRS.

Note 9 - Subsequent Event

Effective July 2010, the Green Dot New York Charter School began contributing \$20,678 per month to the Teachers' Retirement System of the City of New York.

GREEN DOT NEW YORK CHARTER SCHOOL
(Supplemental Schedules)
Schedules of Functional Expenses
For the years ended June 30, 2010 and 2009

	2010					2009*				
	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	\$ 1,345,798	\$ 79,759	\$ 261,283	\$ 4,741	\$ 1,691,581	\$ 646,081	\$ 71,005	\$ 191,444	\$ 5,485	\$ 914,015
Payroll taxes	110,070	6,530	21,375	374	138,349	50,413	5,542	14,936	435	71,326
Employee benefits	158,156	9,383	30,713	536	198,788	131,012	14,402	38,814	1,132	185,360
Provision for sick and vacation pay	34,462	2,430	10,692	-	47,584	17,921	1,654	2,914	-	22,489
Classroom textbooks and supplies	77,030	7,955	-	-	84,985	158,038	13,333	-	-	171,371
Classroom furniture and equipment	39,179	4,046	-	-	43,225	41,911	3,536	-	-	45,447
Partner's operating costs	-	-	144,958	-	144,958	-	-	-	-	-
Office furniture and equipment	-	-	27,258	-	27,258	-	-	41,477	-	41,477
Consulting	-	-	67,761	-	67,761	-	-	61,395	-	61,395
School uniforms	11,073	1,143	-	-	12,216	9,796	826	-	-	10,622
Insurance	-	-	-	-	-	15,204	-	3,670	-	18,874
Telephone	39,312	2,332	7,634	134	49,412	6,285	530	1,819	53	8,687
Meetings and conferences	-	-	29,398	-	29,398	-	-	6,887	-	6,887
Auditing	-	-	25,000	-	25,000	-	-	12,500	-	12,500
Legal fees	-	-	3,761	-	3,761	-	-	28,927	-	28,927
Teacher recruitment	14,647	1,513	-	-	16,160	20,597	1,738	-	-	22,335
Printing and copying	3,457	205	671	12	4,345	2,012	170	582	17	2,781
Office supplies	-	-	3,852	-	3,852	-	-	35,964	-	35,964
Postage	1,300	77	253	5	1,635	2,551	215	738	21	3,525
Teachers' discretionary	4,185	432	-	-	4,617	3,173	268	-	-	3,441
Student trips	3,609	373	-	-	3,982	3,718	314	-	-	4,032
Food service	4,226	436	-	-	4,662	724	61	-	-	785
Repairs and maintenance	-	-	151,496	-	151,496	-	-	-	-	-
Equipment rental	-	-	3,008	-	3,008	-	-	2,559	-	2,559
Maintenance and supplies	-	-	10,776	-	10,776	-	-	195	-	195
Payroll processing	2,053	122	399	7	2,581	1,393	153	413	12	1,971
Student testing materials	1,178	122	-	-	1,300	160	13	-	-	173
Depreciation	87,905	-	36,616	-	124,521	38,199	-	18,162	-	56,361
Miscellaneous	18,975	1,126	3,685	64	23,850	20,493	2,253	6,072	177	28,995
Total	\$ 1,956,615	\$ 117,984	\$ 840,589	\$ 5,873	\$ 2,921,061	\$ 1,169,681	\$ 116,013	\$ 469,468	\$ 7,332	\$ 1,762,494

* Reclassified for comparative purposes.

See independent auditor's report.

**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
Green Dot New York Charter School

We have audited the financial statements of Green Dot New York Charter School as of and for the year ended June 30, 2010, and have issued our report thereon dated October 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Green Dot New York 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 Green Dot New York Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Green Dot New York Charter 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 Green Dot New York 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 Green Dot New York 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 26, 2010