

GIRLS PREPARATORY CHARTER SCHOOL
OF NEW YORK

NEW YORK, NEW YORK

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

OTHER CONSOLIDATING FINANCIAL INFORMATION

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

AND

INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2010

(With Comparative Totals for 2009)

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Girls Preparatory Charter School of New York

We have audited the accompanying consolidated statement of financial position of Girls Preparatory Charter School of New York (the "Organization") as of June 30, 2010, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the consolidated financial statements of Girls Preparatory Charter School of New York as of and for the year ended June 30, 2009, and in our report dated September 30, 2009 we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Girls Preparatory Charter School of New York as of June 30, 2010, and the changes in its net assets and its cash flows for the year 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 15, 2010 on our consideration of Girls Preparatory Charter School of New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 15, 2010

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

(With Comparative Totals for 2009)

<u>ASSETS</u>	June 30,	
	<u>2010</u>	<u>2009</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 392,688	\$ 636,527
Grants and other receivables	66,773	74,397
Prepaid expenses and other current assets	35,026	27,407
Related party receivables	<u>300,079</u>	<u>70,174</u>
TOTAL CURRENT ASSETS	794,566	808,505
<u>PROPERTY AND EQUIPMENT, net</u>	<u>143,986</u>	<u>151,067</u>
TOTAL ASSETS	<u>\$ 938,552</u>	<u>\$ 959,572</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 73,375	\$ 73,108
Accrued payroll and benefits	270,724	290,278
Deferred revenue	42,452	-
Related party payable	<u>791</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	387,342	363,386
<u>NET ASSETS</u>		
Unrestricted	525,727	596,186
Temporarily restricted	<u>25,483</u>	<u>-</u>
TOTAL NET ASSETS	<u>551,210</u>	<u>596,186</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 938,552</u>	<u>\$ 959,572</u>

The accompanying notes are an integral part of the consolidated financial statements.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2010
(With Comparative Totals for 2009)

	Year ended June 30,			
	2010		2009	
	Unrestricted	Temporarily restricted	Total	Total
Operating revenue and support:				
State and local per pupil operating revenue	\$ 3,291,571	\$ -	\$ 3,291,571	\$ 2,782,021
Federal grants	175,533	-	175,533	141,997
State and local grants	36,107	-	36,107	44,064
Foundations	226,645	25,483	252,128	199,575
Individuals and corporations	66,092	-	66,092	137,213
Interest income	3,036	-	3,036	9,137
TOTAL OPERATING REVENUE AND SUPPORT	3,798,984	25,483	3,824,467	3,314,007
Expenses:				
Program:				
Regular education	3,063,168	-	3,063,168	2,363,260
Special education	278,359	-	278,359	244,597
Management and general	525,587	-	525,587	697,971
Fundraising and special events	2,329	-	2,329	70,923
TOTAL EXPENSES	3,869,443	-	3,869,443	3,376,751
CHANGE IN NET ASSETS	(70,459)	25,483	(44,976)	(62,744)
Net assets at beginning of year	596,186	-	596,186	658,930
NET ASSETS AT END OF YEAR	\$ 525,727	\$ 25,483	\$ 551,210	\$ 596,186

The accompanying notes are an integral part of the consolidated financial statements.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010
(With Comparative Totals for 2009)

	Year ended June 30,							
	2010							2009
	Program Services			Supporting Services				
	Regular Education	Special Education	Sub-total	Management and general	Fundraising and special events	Sub-total	Total	Total
Personnel services costs:								
Administrative staff personnel	\$ 307,919	\$ -	\$ 307,919	\$ 133,548	\$ -	\$ 133,548	\$ 441,467	\$ 499,106
Instructional personnel	1,393,476	181,314	1,574,790	-	-	-	1,574,790	1,283,839
Non-instructional personnel	-	-	-	198,593	-	198,593	198,593	156,503
Total personnel services costs	1,701,395	181,314	1,882,709	332,141	-	332,141	2,214,850	1,939,448
Fringe benefits and payroll taxes	432,418	46,082	478,500	84,415	-	84,415	562,915	505,376
Retirement	73,671	7,851	81,522	14,382	-	14,382	95,904	99,850
Management company fees	212,664	17,936	230,600	-	2,329	2,329	232,929	-
Legal services	-	-	-	6,391	-	6,391	6,391	1,025
Accounting and audit services	-	-	-	20,035	-	20,035	20,035	58,628
Other professional and consulting services	71,273	-	71,273	20,654	-	20,654	91,927	115,242
Building, rent and lease	4,616	-	4,616	815	-	815	5,431	12,219
Insurance	20,936	-	20,936	3,695	-	3,695	24,631	28,355
Supplies and materials	193,633	16,154	209,787	-	-	-	209,787	120,481
Equipment and furnishings	19,113	-	19,113	3,373	-	3,373	22,486	25,290
Staff development	65,254	-	65,254	11,516	-	11,516	76,770	131,733
Marketing and recruitment	19,441	1,622	21,063	-	-	-	21,063	76,636
Technology	32,661	-	32,661	5,763	-	5,763	38,424	2,630
Food service	2,618	-	2,618	-	-	-	2,618	5,834
Student services	88,710	7,400	96,110	-	-	-	96,110	131,243
Office expense	45,210	-	45,210	8,368	-	8,368	53,578	54,146
Depreciation	79,555	-	79,555	14,039	-	14,039	93,594	68,615
	\$ 3,063,168	\$ 278,359	\$ 3,341,527	\$ 525,587	\$ 2,329	\$ 527,916	\$ 3,869,443	\$ 3,376,751

The accompanying notes are an integral part of the consolidated financial statements.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010
(With Comparative Totals for 2009)

	Year ended June 30,	
	2010	2009
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ (44,976)	\$ (62,744)
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:		
Donated stock	(206,402)	-
Depreciation	93,594	68,615
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	7,624	47,368
Prepaid expenses and other current assets	(7,619)	(16,535)
Accounts payable and accrued expenses	267	34,134
Accrued payroll and benefits	(19,554)	48,894
Deferred revenue	42,452	(5,623)
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(134,614)	114,109
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(86,513)	(112,661)
Sales of investment securities	206,402	-
NET CASH PROVIDED FROM (USED FOR) INVESTING ACTIVITIES	119,889	(112,661)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Increase in related party receivables	(229,905)	(70,174)
Increase in related party payable	791	-
NET CASH USED FOR FINANCING ACTIVITIES	(229,114)	(70,174)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(243,839)	(68,726)
Cash and cash equivalents at beginning of year	636,527	705,253
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 392,688	\$ 636,527

The accompanying notes are an integral part of the consolidated financial statements.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

The accompanying consolidated financial statements include the accounts of Girls Preparatory Charter School of New York (the "School") and Friends of Girls Preparatory Charter School of New York, Inc. ("Friends"), (collectively referred to as the "Organization"). The Organizations are presenting consolidated financial statements because they have a common Board of Trustees and economic interest. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

The Organization

The School is an educational corporation that operates as a charter school in the borough of Manhattan, New York. On March 23, 2004, the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration. During the current year, the School obtained a temporary renewal through July 31, 2010 and has applied for a permanent renewal. The School was established to prepare underserved elementary and middle school students for higher education, civic involvement and lifelong success through a structured, caring environment of high academic expectations.

Friends was organized under the laws of the State of New York on September 30, 2003 as a not-for-profit corporation under subparagraph (a)(5) of Section 102 of the Not-For-Profit Corporation Law. Friends was established to create a plan for a charter school in New York City, drafting and revising an application for such a charter, fund-raising, searching for and developing a site, and hiring administrative and teaching personnel.

Financial Statement presentation

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

These classes of net assets are defined as follows:

Permanently restricted – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets at June 30, 2010 or 2009.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. There were \$25,483 of temporarily restricted net assets at June 30, 2010 restricted for a specific purpose. There were no temporarily restricted net assets at June 30, 2009.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2010 AND 2009

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Organization's operations in accordance with the guidelines established by the Organization. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investment.

Revenue and support recognition

Revenue from state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement.

Revenue from federal, state and local government grants and contracts are recorded by the School when qualifying expenditures are incurred and billable.

Contributions are recognized as revenue in the year the pledge is received and documented.

Contributions

Contributions and unconditional promises to give are recorded as unrestricted, temporarily or permanently restricted support depending on the existence of any donor restrictions. A contribution that is received and expended in the same year for a specific purpose is classified as unrestricted revenue.

Contributions are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash and cash equivalents

The Organization maintains its cash balances in certain financial institutions located in New York. Cash and certain money market account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. Uninsured balances at June 30, 2010 approximated \$90,000. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant risk in cash.

Grants and other receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual receivables from grants, agencies and others. Balances that are still outstanding after management has used reasonable collection efforts are written off against the allowance for doubtful accounts. There was no allowance for doubtful accounts at June 30, 2010 or 2009.

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from three to five years.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2010 AND 2009

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Tax exempt status

The School and Friends are tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code and applicable state regulations and, accordingly, are exempt from federal and state taxes on income.

The Organizations have filed for and received income tax exemptions in the various jurisdictions where they are required to do so. The School and Friends file Form 990 tax returns in the U.S. federal jurisdiction and Friends files in New York State. With few exceptions, as of June 30, 2010, the Organizations are no longer subject to U.S. federal or state income tax examinations by tax authorities for years ended before June 30, 2007. Years ended June 30, 2007 through June 30, 2010 are still subject to potential audit by the IRS and the taxing authorities in New York State. The Organizations adopted the provisions of FASB ASC 740-10 *Accounting for Uncertainty in Income Taxes* (formerly FIN 48), and its related amendment on July 1, 2009. Management of the Organizations believe they have no material uncertain tax positions and, accordingly, will not recognize any liability for unrecognized tax benefits.

Contributed services

The Organization receives contributed services from volunteers to serve on the Board of Trustees. These services are not valued in the financial statements because they do not require “specialized skills” and would typically not be purchased if they were not contributed.

Marketing costs

The Organization expenses marketing costs as they are incurred. Total marketing and recruiting costs approximated \$21,100 and \$76,700 for the years ended June 30, 2010 and 2009, respectively.

Deferred revenue

The Organization records grant revenue as deferred revenue until it is expensed for the purpose of the grant, at which time it is recognized as revenue.

Use of estimates in the preparation of consolidated financial statements

The preparation of consolidated 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 the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 15, 2010, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2010 AND 2009

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Comparatives for year ended June 30, 2009

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2009, from which the summarized information was derived.

NOTE B: RELATED PARTY TRANSACTIONS

The Organization has related party receivables from two related organizations, Girls Preparatory Charter School of the Bronx located in Bronx, New York and Public Preparatory Network, Inc. Public Preparatory Network, Inc. manages the operations of the Organization. Girls Preparatory Charter School of the Bronx has common Board members on its Board of Trustees. The receivables relate to start-up costs of these organizations that were paid by the Organization.

Public Preparatory Network, Inc., a not-for-profit organization provides management and other administrative support services to the organization. The Organization entered into an annual agreement with Public Preparatory Network, Inc., dated August 12, 2009, under which the Organization pays a service fee of a set percentage of the year end student enrollment full time equivalents at the school multiplied by the approved per pupil operating expenses for the school year. The percentage for the elementary school (grades K-4) was 7% and the percentage for the middle school (grade 5) was 10% for the year ended June 30, 2010. The agreement is renewable annually. The fee incurred for the year ended June 30, 2010 was \$232,929.

Amounts due from these related parties were as follows:

	June 30,	
	2010	2009
Due from Public Preparatory Network, Inc.	\$ 297,819	\$ -
Due from Girls Preparatory Charter School of the Bronx	2,260	70,174
	<u>\$ 300,079</u>	<u>\$ 70,174</u>

Amounts due to these related parties were as follows:

	June 30,	
	2010	2009
Due to Girls Preparatory Charter School of the Bronx	<u>\$ 791</u>	<u>\$ -</u>

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2010 AND 2009

NOTE C: SCHOOL FACILITY

As part of the New York City Chancellor's Charter School Initiative, the New York City Department of Education has committed space to the Organization at no charge. The facilities and services provided by the New York City Department of Education to the Organization are outlined in a Shared Facility Use Agreement. The agreement is for five years or until termination of the School's charter.

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Furniture and fixtures	\$ 104,337	\$ 76,332
Equipment	149,669	136,293
Computer equipment	187,681	142,549
Web development	<u>5,250</u>	<u>5,250</u>
	446,937	360,424
Less accumulated depreciation	<u>302,951</u>	<u>209,357</u>
	<u>\$ 143,986</u>	<u>\$ 151,067</u>

NOTE E: OPERATING LEASES

The Organization leases office equipment under non-cancelable lease agreements expiring at various dates through September 2015. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2011	\$ 18,515
2012	18,515
2013	13,809
2014	12,240
2015	11,060
Thereafter	<u>860</u>
	<u>\$ 74,999</u>

NOTE F: RETIREMENT PLAN

The Organization sponsors a defined contribution 403(b) plan covering all regular employees. The Organization matches employees' contributions up to 5% of base salary. The Organization's total contribution to the Plan for the years ended June 30, 2010 and 2009 was \$95,904 and \$99,850, respectively.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2010 AND 2009

NOTE G: CONTINGENCY

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in disallowance of costs submitted for reimbursement by the Organization. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying consolidated financial statements. Accordingly, no amounts have been provided in the accompanying consolidated financial statements for such potential claims.

NOTE H: CONCENTRATION

At June 30, 2010, approximately 91% of grants and other receivables are due from the New York State Department of Education relating to certain grants.

During the years ended June 30, 2010 and 2009, 86% and 84%, respectively of total operating revenue and support came from per-pupil funding provided by New York State. The per-pupil rate is set annually by the State based on the school district in which the Charter School's students are located.

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

OTHER CONSOLIDATING FINANCIAL INFORMATION



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING FINANCIAL INFORMATION

Board of Trustees
Girls Preparatory Charter School of New York

Our report on our audit of the consolidated financial statements of Girls Preparatory Charter School of New York as of June 30, 2010 and for the year then ended appears on page 3. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating financial information hereinafter is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 15, 2010

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

<u>ASSETS</u>	Girls Preparatory Charter School of New York	Friends of Girls Preparatory Charter School of New York, Inc.	Eliminations	Total
<u>CURRENT ASSETS</u>				
Cash and cash equivalents	\$ 147,802	\$ 244,886	\$ -	\$ 392,688
Grants and other receivables	61,092	5,681	-	66,773
Prepaid expenses and other current assets	35,026	-	-	35,026
Related party receivables	<u>351,500</u>	<u>-</u>	<u>(51,421)</u>	<u>300,079</u>
TOTAL CURRENT ASSETS	595,420	250,567	(51,421)	794,566
 <u>PROPERTY AND EQUIPMENT, net</u>	 <u>143,292</u>	 <u>694</u>	 <u>-</u>	 <u>143,986</u>
 TOTAL ASSETS	 <u>\$ 738,712</u>	 <u>\$ 251,261</u>	 <u>\$ (51,421)</u>	 <u>\$ 938,552</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 73,375	\$ -	\$ -	\$ 73,375
Accrued payroll and benefits	270,724	-	-	270,724
Deferred revenue	42,452	-	-	42,452
Related party payable	<u>-</u>	<u>52,212</u>	<u>(51,421)</u>	<u>791</u>
TOTAL CURRENT LIABILITIES	386,551	52,212	(51,421)	387,342
 <u>NET ASSETS</u>				
Unrestricted	326,678	199,049	-	525,727
Temporarily restricted	<u>25,483</u>	<u>-</u>	<u>-</u>	<u>25,483</u>
TOTAL NET ASSETS	<u>352,161</u>	<u>199,049</u>	<u>-</u>	<u>551,210</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 738,712</u>	 <u>\$ 251,261</u>	 <u>\$ (51,421)</u>	 <u>\$ 938,552</u>

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2010

	Girls Preparatory Charter School of New York	Friends of Girls Preparatory Charter School of New York, Inc.	Eliminations	Total
Operating revenue and support:				
State and local per pupil operating revenue	\$ 3,291,571	\$ -	\$ -	\$ 3,291,571
Federal grants	175,533	-	-	175,533
State and local grants	36,107	-	-	36,107
Foundations	206,128	46,000	-	252,128
Individuals and corporations	15,680	50,412	-	66,092
Interest income	<u>80</u>	<u>2,956</u>	<u>-</u>	<u>3,036</u>
TOTAL OPERATING REVENUE AND SUPPORT	3,725,099	99,368	-	3,824,467
Expenses:				
Program:				
Regular education	3,063,168	-	-	3,063,168
Special education	278,359	-	-	278,359
Management and general	522,991	2,596	-	525,587
Fundraising and special events	<u>2,329</u>	<u>-</u>	<u>-</u>	<u>2,329</u>
TOTAL EXPENSES	<u>3,866,847</u>	<u>2,596</u>	<u>-</u>	<u>3,869,443</u>
CHANGE IN NET ASSETS	(141,748)	96,772	-	(44,976)
Net assets at beginning of year	<u>493,909</u>	<u>102,277</u>	<u>-</u>	<u>596,186</u>
NET ASSETS AT END OF YEAR	<u>\$ 352,161</u>	<u>\$ 199,049</u>	<u>\$ -</u>	<u>\$ 551,210</u>

GIRLS PREPARATORY CHARTER SCHOOL OF NEW YORK

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

INDEPENDENT AUDITORS' 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

Board of Trustees
Girls Preparatory Charter School of New York

We have audited the consolidated financial statements of Girls Preparatory Charter School of New York (the "Organization") as of and for the year ended June 30, 2010 and have issued our report thereon dated October 15, 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 Girls Preparatory Charter School of New York's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 consolidated 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 Girls Preparatory Charter School of New York's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Girls Preparatory Charter School of New York in a separate letter dated October 15, 2010.

This report is intended solely for the information and use of the Board of Trustees, management, federal, state and local awarding agencies, The Charter Schools Institute of the State University of New York, the State Education Department of the State University of New York, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 15, 2010