

**EXCELLENCE BOYS CHARTER SCHOOL OF
BEDFORD STUYVESANT**

BROOKLYN, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

AND

INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2011

(With Comparative Totals for 2010)

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Excellence Boys Charter School of Bedford Stuyvesant

We have audited the accompanying statement of financial position of Excellence Boys Charter School of Bedford Stuyvesant as of June 30, 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of Excellence Charter School of Bedford Stuyvesant as of and for the year ended June 30, 2010 and, in our report dated October 13, 2010, we expressed an unqualified opinion on those 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 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, 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 financial statements referred to above present fairly, in all material respects, the financial position of Excellence Boys Charter School of Bedford Stuyvesant as of June 30, 2011, 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 18, 2011, on our consideration of Excellence Boys Charter School of Bedford Stuyvesant'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 18, 2011

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

(With Comparative Totals for 2010)

<u>ASSETS</u>	June 30,	
	<u>2011</u>	<u>2010</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 977,547	\$ 726,864
Grants and other receivables	272,229	230,898
Prepaid expenses and other current assets	<u>58,768</u>	<u>6,395</u>
TOTAL CURRENT ASSETS	1,308,544	964,157
<u>PROPERTY AND EQUIPMENT, net</u>	<u>320,983</u>	<u>401,301</u>
TOTAL ASSETS	<u>\$ 1,629,527</u>	<u>\$ 1,365,458</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 206,522	\$ 250,736
<u>NET ASSETS, unrestricted</u>	<u>1,423,005</u>	<u>1,114,722</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,629,527</u>	<u>\$ 1,365,458</u>

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

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)

	Year ended June 30,	
	2011	2010
Operating revenue and support:		
State and local per pupil operating revenue	\$ 6,024,794	\$ 4,557,747
Federal grants	396,712	314,791
Contributions	207,288	686,384
Other income	20,524	24,955
TOTAL OPERATING REVENUE AND SUPPORT	6,649,318	5,583,877
Expenses:		
Program services - education	5,607,092	4,881,895
General and administrative	733,943	577,944
TOTAL EXPENSES	6,341,035	5,459,839
CHANGE IN NET ASSETS	308,283	124,038
Unrestricted net assets at beginning of year	1,114,722	990,684
UNRESTRICTED NET ASSETS AT END OF YEAR	\$ 1,423,005	\$ 1,114,722

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

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)

	Program services - education	General and administrative	Total Year ended June 30,	
			2011	2010
Salaries	\$ 3,664,203	\$ 380,701	\$ 4,044,904	\$ 3,528,907
Payroll taxes and employee benefits	667,996	69,762	737,758	603,265
Repairs and maintenance	27,048	-	27,048	13,719
Textbooks	21,568	-	21,568	18,402
Instructional supplies and assessments	115,197	-	115,197	115,182
Computer and technology supplies	75,708	-	75,708	57,978
Student enrichment and services	184,300	-	184,300	128,584
Professional development	165,192	-	165,192	185,525
Professional services	-	15,948	15,948	13,307
Telephone	-	40,272	40,272	45,030
Insurance	-	58,949	58,949	61,157
Management fees	539,934	95,283	635,217	482,245
Office expense	39,388	66,201	105,589	67,624
Depreciation and amortization	106,458	1,471	107,929	106,146
Bad debt expense	100	-	100	26,265
Other	-	5,356	5,356	6,503
	<u>\$ 5,607,092</u>	<u>\$ 733,943</u>	<u>\$ 6,341,035</u>	<u>\$ 5,459,839</u>

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

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)

	Year ended June 30,	
	2011	2010
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 308,283	\$ 124,038
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation and amortization	107,929	106,146
Bad debt expense	100	26,265
Changes in certain assets and liabilities affecting operations:		
Grants and other receivables	(41,431)	(17,469)
Prepaid expenses and other current assets	(52,373)	3,598
Accounts payable and accrued expenses	<u>(44,214)</u>	<u>40,477</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	278,294	283,055
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(27,611)</u>	<u>(90,903)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(27,611)</u>	<u>(90,903)</u>
NET INCREASE IN CASH	250,683	192,152
Cash at beginning of year	<u>726,864</u>	<u>534,712</u>
CASH AT END OF YEAR	<u>\$ 977,547</u>	<u>\$ 726,864</u>

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

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter School

Excellence Boys Charter School of Bedford Stuyvesant (the “Charter School”), is an educational corporation that commenced operating as a charter school in the borough of Brooklyn, New York City in July 2004. On February 19, 2010, the Charter School amended the provisional charter granted by the Board of Regents of the University of the State of New York which is valid for a term of five years and renewable upon expiration.

The Charter School’s mission is to prepare students to enter, succeed in and graduate from outstanding college preparatory high schools and colleges.

Financial Statement presentation

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

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 Charter School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Charter School. The Charter School had no permanently restricted net assets at June 30, 2011 or 2010.

Temporarily restricted – Net assets resulting from contributions and other inflows of assets whose use by the Charter School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Charter School pursuant to those stipulations. The Charter School had no temporarily restricted net assets at June 30, 2011 or 2010.

Unrestricted – The net assets over which the Governing Board has discretionary control to use in carrying on the Charter School’s operations in accordance with the guidelines established by the Charter School. 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 Charter 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 Charter School when qualifying expenditures are incurred and billable.

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

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

Contributions

Contributions received 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

The Charter School maintains its cash balances at a financial institution located in New York. Cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at the institution. In addition, certain non-interest bearing transaction accounts at the financial institution are 100% insured through December 31, 2012. In the normal course of business, the interest bearing account balance at any given time may exceed insured limits. However, the Charter School has not experienced any losses in such accounts and does not believe it is 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, 2011 or 2010.

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 ten years.

Tax exempt status

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

The Charter School has filed for and received income tax exemptions in the jurisdictions where it is required to do so. The Charter School files tax returns in the U.S. federal jurisdiction. With few exceptions, as of June 30, 2011, the Charter School is no longer subject to U.S. federal income tax examinations by tax authorities for the years ended prior to June 30, 2008. The tax returns for the years ended June 30, 2008 through June 30, 2011 are still subject to potential audit by the IRS. The Charter School adopted the provisions of FASB ASC 740-10 *Accounting for Uncertainty in Income Taxes* and its related amendment on July 1, 2009. Management of the Charter School believes it has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits.

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

NOTE A: THE CHARTER SCHOOL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Cont'd

Contributed services

The Charter School receives contributed services from volunteers to develop its academic program and 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.

Use of estimates in the preparation of financial statements

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

Subsequent events

The Charter School has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 18, 2011, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

Reclassifications

Certain 2010 amounts have been reclassified to conform with the 2011 presentation.

Comparatives for year ended June 30, 2010

The financial statements include certain prior year summarized comparative information in total but not by functional classification. 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 Charter School's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

NOTE B: RELATED PARTY TRANSACTIONS

From inception, the Charter School has been assisted in the pursuit of its educational goals by Uncommon Schools, Inc. ("USI") and its affiliate, Excellence Academies Foundation, Inc. ("EAF"). USI, a not-for-profit organization dedicated to helping start and run charter schools, provides management and other administrative support services to the Charter School.

USI and EAF raised the initial funding to plan the Charter School and to ensure and finance both the temporary and permanent facilities.

The Charter School entered into a five year agreement with USI, dated July 1, 2005, revised with a five year agreement dated September 26, 2006 and subsequently renewed for an additional five years beginning July 1, 2012, under which the Charter School pays USI a service fee of a set percentage of the average number of students enrolled at the Charter School during the school year multiplied by the approved per pupil operating expense for the school year, and a percentage of all other public entitlement funding receivable during the school year, excluding in-kind contributions and funds from competitive public grants. This percentage is fixed at 10% for the 2010 through 2014 fiscal years and then decreases to 9.5% and 9.0% for the 2015 and 2016 fiscal years, respectively. The fee incurred for the years ended June 30, 2011 and 2010 was approximately \$635,000 and \$482,000, respectively. At June 30, 2011 and 2010, approximately \$105,000 and \$132,000, respectively, are included in accounts payable relating to USI and approximately \$2,000 is included in accounts receivable relating to USI at June 30, 2011.

The Charter School entered into an operating lease for office and instructional space with EAF on May 15, 2006. The agreement requires the Charter School to make an annual rental payment of \$1 per year beginning July 1, 2006. EAF has entered into a sales transaction with the Board of Education to purchase the building, at which time the Board of Education would enter into a lease agreement with the Charter School to lease the facility for \$1 annually for up to 99 years. As of the date of the financial statements, this transaction has not been completed and, therefore, EAF continues to own the building and is continuing to lease the space to the Charter School for \$1 annually based on a verbal agreement.

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2011	2010
Furniture and fixtures	\$ 69,745	\$ 68,521
Computers and software	359,688	333,301
Leasehold improvements	451,232	451,232
	880,665	853,054
Less accumulated depreciation and amortization	559,682	451,753
	<u>\$ 320,983</u>	<u>\$ 401,301</u>

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

NOTES TO FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2011 AND 2010

NOTE D: RETIREMENT PLAN

The Charter School sponsors a defined contribution 403(b) plan covering most employees. The Charter School matches employee's contributions up to 3% of gross pay, not to exceed \$3,500. The Charter School's total contribution to the Plan for the years ended June 30, 2011 and 2010 approximated \$45,500 and \$34,700, respectively.

NOTE E: OPERATING LEASES

The Charter School leases office equipment under non-cancelable lease agreements expiring through June 2016. The future minimum payments on these agreements are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2012	\$ 54,467
2013	54,467
2014	54,467
2015	45,005
2016	31,101
	<u>\$ 239,507</u>

NOTE F: 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 Charter School. Management is of the opinion that such disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE G: CONCENTRATION

At June 30, 2011 and 2010, approximately 87% and 99%, respectively, of accounts receivable are due from New York State. At June 30, 2011, approximately 13% of receivables are due from a grantor.

During the years ended June 30, 2011 and 2010, 91% and 82%, 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 is located.

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

OTHER FINANCIAL INFORMATION



INDEPENDENT AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees
Excellence Boys Charter School of Bedford Stuyvesant

Our report on our audit of the basic financial statements of Excellence Boys Charter School of Bedford Stuyvesant as of June 30, 2011 and for the year then ended appears on page 3. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
October 18, 2011

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

SCHEDULE OF ELEMENTARY SCHOOL AND MIDDLE SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2011

	<u>Elementary School</u>	<u>Middle School</u>	<u>Total</u>
State and local per pupil operating revenue	\$ 4,735,899	\$ 1,288,895	\$ 6,024,794
Federal grants	316,835	79,877	396,712
Contributions	55,006	152,282	207,288
Other income	<u>14,497</u>	<u>6,027</u>	<u>20,524</u>
TOTAL OPERATING REVENUE AND SUPPORT	5,122,237	1,527,081	6,649,318
Salaries	2,969,055	1,075,849	4,044,904
Payroll taxes and employee benefits	531,360	206,398	737,758
Repairs and maintenance	18,071	8,977	27,048
Textbooks	21,568	-	21,568
Instructional supplies and assessments	80,537	34,660	115,197
Computer and technology supplies	56,663	19,045	75,708
Student enrichment and services	118,767	65,533	184,300
Professional development	129,571	35,621	165,192
Professional services	10,970	4,978	15,948
Telephone	30,103	10,169	40,272
Insurance	44,388	14,561	58,949
Management fees	500,962	134,255	635,217
Office expense	79,345	26,244	105,589
Depreciation and amortization	106,807	1,122	107,929
Bad debt expense	100	-	100
Other	<u>4,402</u>	<u>954</u>	<u>5,356</u>
TOTAL EXPENSES	<u>4,702,669</u>	<u>1,638,366</u>	<u>6,341,035</u>
CHANGE IN NET ASSETS	<u>\$ 419,568</u>	<u>\$ (111,285)</u>	<u>\$ 308,283</u>

EXCELLENCE BOYS CHARTER SCHOOL OF BEDFORD STUYVESANT

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
Excellence Boys Charter School of Bedford Stuyvesant

We have audited the financial statements of Excellence Boys Charter School of Bedford Stuyvesant (the "Charter School") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 18, 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

In planning and performing our audit, we considered Excellence Boys Charter School of Bedford Stuyvesant'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 Excellence Boys Charter School of Bedford Stuyvesant's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 Excellence Boys Charter School of Bedford Stuyvesant'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*.

We noted certain matters that we reported to management of Excellence Boys Charter School of Bedford Stuyvesant in a separate letter dated October 18, 2011.

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 and the State Education Department of the State University of New York and others within the Charter School 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 18, 2011