

GRAND CONCOURSE ACADEMY  
CHARTER SCHOOL

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2010

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Grand Concourse Academy Charter School

We have audited the accompanying statement of financial position of Grand Concourse Academy Charter School as of June 30, 2010, and the related statements of activities and cash flows for year 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 audit.

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. An audit also includes 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 present fairly, in all material respects, the financial position of Grand Concourse Academy Charter School as of June 30, 2010, and the results of its operations 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 12, 2010 on our consideration of Grand Concourse Academy 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 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School taken as a whole. The accompanying schedule of functional expenses is presented for purpose 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.

*Koch Group & Company, LLP*  
Certified Public Accountants

New York, New York  
October 12, 2010

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

ASSETS

CURRENT ASSETS

|                              |            |
|------------------------------|------------|
| Cash                         | \$ 647,580 |
| Grant receivable             | 36,196     |
| Due from government agencies | 98,202     |
| Prepaid expenses             | 60,412     |
| Security deposits            | 68,082     |

Total Current Assets 910,472

PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation 1,072,469

Total Assets \$ 1,982,941

LIABILITIES AND NET ASSETS

LIABILITIES

Current Liabilities

|                  |           |
|------------------|-----------|
| Accounts payable | \$ 56,781 |
| Accrued expenses | 441,850   |
| Notes payable    | 84,408    |
| Interest payable | 1,099     |
| Rent payable     | 83,389    |

Total Current Liabilities 667,527

Notes payable 204,761

Total liabilities 872,288

NET ASSETS - UNRESTRICTED 1,110,653

Total Liabilities and Net Assets \$ 1,982,941

See notes to financial statements.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

UNRESTRICTED NET ASSETS

PUBLIC SUPPORT AND REVENUE

|                                  |                  |
|----------------------------------|------------------|
| Resident student enrollment      | \$ 5,010,884     |
| Government funding               | 437,696          |
| Interest income                  | 3,941            |
| Other income                     | <u>77,190</u>    |
| Total Public Support and Revenue | <u>5,529,711</u> |

EXPENSES

|                        |                  |
|------------------------|------------------|
| Program Expenses       |                  |
| Regular education      | 4,224,579        |
| Special education      | <u>351,738</u>   |
|                        | 4,576,317        |
| Supporting Services    |                  |
| Management and general | <u>689,817</u>   |
| Total Expenses         | <u>5,266,134</u> |

CHANGE IN NET ASSETS 263,577

NET ASSETS

|                   |                            |
|-------------------|----------------------------|
| Beginning of year | <u>847,076</u>             |
| End of year       | <u><u>\$ 1,110,653</u></u> |

See notes to financial statements.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010

|   |                   |
|---|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |                   |
| Increase in Net Assets  | \$ 263,577        |
| ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS<br>TO NET CASH PROVIDED BY OPERATING ACTIVITIES |                   |
| Depreciation  | 251,789           |
| Changes in Assets and Liabilities   |                   |
| Due from government agencies  | 126,308           |
| Prepaid expenses  | (23,097)          |
| Grant receivable  | (36,196)          |
| Rent payable  | 83,389            |
| Accounts payable  | 51,373            |
| Accrued expenses  | (23,393)          |
| Interest payable  | 1,099             |
| Net Cash Provided by Operating Activities   | <u>694,849</u>    |
| CASH FLOWS FROM INVESTING ACTIVITIES  |                   |
| Acquisition of fixed assets   | <u>(679,385)</u>  |
| Net Cash Used in Investing Activities   | <u>(679,385)</u>  |
| CASH FLOWS FROM FINANCING ACTIVITIES  |                   |
| Notes payable   | <u>289,169</u>    |
| Net Cash provided by Financing Activities   | <u>289,169</u>    |
| NET INCREASE IN CASH AND CASH EQUIVALENTS   | 304,633           |
| CASH AND CASH EQUIVALENTS   |                   |
| Beginning of year   | <u>342,947</u>    |
| End of year   | <u>\$ 647,580</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION  |                   |
| Cash Paid for Interest  | <u>\$ 9,420</u>   |

See notes to financial statements.

# GRAND CONCOURSE ACADEMY CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

1. Organization

Grand Concourse Academy Charter School (“The School”), a 501(c)3 tax-exempt organization, is a public charter school for children in grades kindergarten through fifth grade located in The Bronx, New York. The goal of the School, which was chartered in May 2004, is to offer students a high quality public education on a nondiscriminatory and secular basis.

2. Summary of Significant Accounting Policies

a) Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

b) Financial Statement Presentation

The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Furthermore, information is required to segregate program service expenses from support expenses.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

c) Donated Services

No amounts are reflected in the financial statements for donated services, as the services do not meet the specialized skill requirements prescribed under accounting principles generally accepted in the United States of America.



GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

2. Summary of Significant Accounting Policies (Continued)

d) Functional Allocation of Expenses

Costs and expenses of various programs and other activities have been analyzed on a functional basis. Accordingly, all costs and expenses incurred have been allocated among the programs and supporting services benefited.

e) Leasehold Improvements and Equipment

Leasehold improvements and equipment are being depreciated using the straight-line method based on their estimated useful lives.

f) Cash and cash equivalents

The School maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The School believes it is not exposed to significant credit risk on cash and equivalents.

For purposes of the statement of cash flows, the School considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

3. Pupil Enrollment and Other Revenues From Government Agencies

Under the Charter School Agreement and the Charter Schools Act, the School is entitled to receive funding from governmental sources that are available to public schools. The calculation of the amounts to be paid to the School under these programs is determined by the State, and is based on complex laws and regulations, enrollment levels, and economic information related to the home school districts of the children enrolled in the School. If these regulations, some of which are relatively new in the State of New York, were to change, or other factors included in the calculations were to change, the level of funding that the School received could vary significantly.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

3. Pupil Enrollment and Other Revenues From Government Agencies (Continued)

The amounts are based upon actual amounts received as well as estimates by the management based upon the best information available at the time. However, actual amounts received, as determined by the funding source, could vary based on changes in the factors used to calculate the amounts owed.

In addition the school received government funding and grants as follows:

|                |                  |
|----------------|------------------|
| Federal        | \$405,841        |
| New York State | <u>31,855</u>    |
|                | <u>\$437,696</u> |

4. Property and Equipment

At June 30, 2010, property and equipment consisted of the following:

|                                |                     | Estimated<br>Useful<br><u>Life</u> |
|--------------------------------|---------------------|------------------------------------|
| Leasehold improvements         | \$1,100,640         | 5 - 39 years                       |
| Construction in progress       | 246,073             | -                                  |
| Furniture and fixtures         | 218,024             | 7 years                            |
| Computer equipment             | 290,764             | 5 years                            |
| Office equipment               | <u>111,865</u>      | 5-7 years                          |
|                                | 1,967,366           |                                    |
| Less: Accumulated depreciation | <u>(894,897)</u>    |                                    |
| Total                          | <u>\$ 1,072,469</u> |                                    |

Depreciation expense for the year ended June 30, 2010 was \$251,789

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of amounts due to vendors and for payroll earned by the staff during the school year but paid out over the summer months.

6. Defined Contribution Plan

The School offers a 401(k) plan for substantially all of its employees. Employees are eligible for the plan immediately upon employment and participation in the plan is voluntary. Employees can make pretax contributions up to a maximum of 100% of their annual compensation, subject to IRS restrictions. The School matches the employee contribution up to 5% of the employee's annual compensation. The employer contribution recognized in the statement of activities was \$85,083 for the year ended June 30, 2010. Such plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the Plan's participants and beneficiaries.

7. Commitments

The School is a lessee under operating leases, principally used for classroom space and administrative offices, expiring through 2014.

Future minimum lease payments for the next 4 years are as follows:

Years ending June 30,

|      |            |
|------|------------|
| 2011 | \$ 544,193 |
| 2012 | 552,788    |
| 2013 | 441,250    |
| 2014 | 487,280    |

8. Management

The School had entered into an agreement with Charter School Business Management, Inc. ("CSBM") to provide financial and certain administrative services. CSBM does not play a role in the School's educational activities.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

8. Management (Continued)

In providing the above, CSBM is paid an hourly service fee for the time required to accommodate the School's needs. CSBM is entitled to receive the fees on monthly basis. Any fee not paid within 30 days of its due date bears at an annualized rate of 5% per month, and then 1.5% per month thereafter until payment is received.

Service fee expense for the year ended June 30, 2010 was \$163,850.

9. Contingency

The School participates in a number of federal and state programs. These programs require that the School comply with certain requirements of laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.

10. Food and Transportation

The New York City Department of Education provides free lunches directly to some of the School's students. Such costs are not included in these financial statements. The School covers the unreimbursed cost of lunches for children not entitled to free lunches. The office of Pupil Transportation provides free transportation to the majority of the students during the district's school days.

11. Subsequent Events

There were no significant subsequent events noted. Subsequent events reviewed through October 12, 2010, the date at which the financial statements were available for issuance.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010

|  | Regular<br>Education    | Special<br>Education  | Total<br>Programs       | Management<br>& General | Total                   |
|--|-------------------------|-----------------------|-------------------------|-------------------------|-------------------------|
| <u>Personnel Expenses</u>                          |                         |                       |                         |                         |                         |
| Salaries and wages                                 | \$ 2,392,206            | \$ 213,318            | \$ 2,605,524            | \$ 269,236              | \$ 2,874,760            |
| Payroll taxes                                      | 206,611                 | 18,424                | 225,035                 | 23,253                  | 248,288                 |
| Fringe benefits                                    | 345,729                 | 30,829                | 376,558                 | 38,911                  | 415,469                 |
| <br>Total Personnel Expenses                       | <br><u>2,944,546</u>    | <br><u>262,571</u>    | <br><u>3,207,117</u>    | <br><u>331,400</u>      | <br><u>3,538,517</u>    |
| <u>Operating Expenses</u>                          |                         |                       |                         |                         |                         |
| Contracted services - financial and administrative | -                       | -                     | -                       | 163,850                 | 163,850                 |
| Contracted services - other                        | 27,025                  | 1,600                 | 28,625                  | 50,673                  | 79,298                  |
| Student services and activities                    | 10,473                  | 620                   | 11,093                  | -                       | 11,093                  |
| Insurance  | 26,094                  | 1,844                 | 27,938                  | 2,914                   | 30,852                  |
| Supplies and materials                             | 59,936                  | 3,548                 | 63,484                  | -                       | 63,484                  |
| Textbooks  | 88,535                  | 5,241                 | 93,776                  | -                       | 93,776                  |
| Postage and shipping                               | 4,242                   | 303                   | 4,545                   | 505                     | 5,050                   |
| Advertising  | 1,167                   | 69                    | 1,236                   | -                       | 1,236                   |
| Equipment and technology                           | 36,618                  | 2,616                 | 39,234                  | 4,359                   | 43,593                  |
| Equipment lease                                    | 11,921                  | 852                   | 12,773                  | 1,419                   | 14,192                  |
| Legal and professional                             | -                       | -                     | -                       | 15,181                  | 15,181                  |
| Administrative                                     | 26,795                  | 1,914                 | 28,709                  | 3,190                   | 31,899                  |
| Human resources and payroll consultants            | 17,238                  | 1,537                 | 18,775                  | 1,940                   | 20,715                  |
| Staff development                                  | 6,299                   | 373                   | 6,672                   | -                       | 6,672                   |
| Student testing                                    | 9,882                   | 585                   | 10,467                  | -                       | 10,467                  |
| Occupancy  | 682,840                 | 48,774                | 731,614                 | 81,290                  | 812,904                 |
| Utilities  | -                       | -                     | -                       | -                       | -                       |
| Telephone  | 38,898                  | 2,778                 | 41,676                  | 4,631                   | 46,307                  |
| Travel   | 1,728                   | 123                   | 1,851                   | 206                     | 2,057                   |
| Board expense                                      | -                       | -                     | -                       | 1,439                   | 1,439                   |
| Conferences and conventions                        | 5,058                   | 299                   | 5,357                   | -                       | 5,357                   |
| Interest expense                                   | 10,519                  | 751                   | 11,270                  | 1,252                   | 12,522                  |
| Depreciation                                       | 211,503                 | 15,107                | 226,610                 | 25,179                  | 251,789                 |
| Other expenses                                     | 3,262                   | 233                   | 3,495                   | 389                     | 3,884                   |
| <br>Total Operating Expenses                       | <br><u>1,280,033</u>    | <br><u>89,167</u>     | <br><u>1,369,200</u>    | <br><u>358,417</u>      | <br><u>1,727,617</u>    |
| <br>TOTAL EXPENSES                                 | <br><u>\$ 4,224,579</u> | <br><u>\$ 351,738</u> | <br><u>\$ 4,576,317</u> | <br><u>\$ 689,817</u>   | <br><u>\$ 5,266,134</u> |



## **KOCH GROUP & COMPANY, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

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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

To the Board of Trustees of  
Grand Concourse Academy Charter School

We have audited the financial statements of Grand Concourse Academy Charter School as of and for the year ended June 30, 2010, and have issued a report thereon dated October 12, 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 Grand Concourse Academy 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 the Grand Concourse Academy Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Grand Concourse Academy 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 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. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Grand Concourse Academy 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 management, the Board of Trustees, others within the entity, 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.

*Koch Group & Company, LLP*  
Certified Public Accountants

New York, New York  
October 12, 2010