

**Community Partnership  
Charter School**

Financial Report

June 30, 2010

## Contents

Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statement of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 9
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>	10 - 11



## Independent Auditor's Report

The Board of Trustees  
Community Partnership Charter School  
Brooklyn, New York

We have audited the accompanying statements of financial position of Community Partnership Charter School as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Community Partnership Charter 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 of America. 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 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 Community Partnership 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 Community Partnership Charter School's internal control over financial reporting and on 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.

*McGladrey & Pullen, LLP*

New York, New York  
October 26, 2010

**Community Partnership Charter School**

**Statements of Financial Position  
June 30, 2010 and 2009**

	2010	2009
<b>ASSETS</b>		
Cash	\$ 1,065,924	\$ 262,008
Grants and Pledges Receivable	179,390	147,772
Interest Receivable and Other Assets	8,148	5,534
Investments	1,784,034	2,213,581
Property and Equipment, net	<u>41,736</u>	<u>51,461</u>
<b>Total assets</b>	<b><u>\$ 3,079,232</u></b>	<b><u>\$ 2,680,356</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 392,391	\$ 485,793
Refundable advance	13,321	28,618
Due to Beginning with Children Foundation	<u>23,389</u>	<u>699</u>
<b>Total liabilities</b>	<b><u>429,101</u></b>	<b><u>515,110</u></b>
Contingency		
Net Assets:		
Unrestricted:		
Board-designated for facility and personnel costs	1,200,000	1,200,000
Undesignated	<u>1,440,131</u>	<u>965,246</u>
	<b>2,640,131</b>	<b>2,165,246</b>
Temporarily restricted	<u>10,000</u>	<u>-</u>
<b>Total net assets</b>	<b><u>2,650,131</u></b>	<b><u>2,165,246</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 3,079,232</u></b>	<b><u>\$ 2,680,356</u></b>

See Notes to Financial Statements.

**Community Partnership Charter School**

**Statements of Activities**

**Years Ended June 30, 2010 and 2009**

	2010			2009		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating Revenue:						
State and local per pupil operating revenue	\$ 3,892,484	\$ -	\$ 3,892,484	\$ 3,802,055	\$ -	\$ 3,802,055
Government grants	228,058	-	228,058	206,963	-	206,963
Other revenue	4,874	-	4,874	5,286	-	5,286
<b>Total operating revenue</b>	<b>4,125,416</b>	<b>-</b>	<b>4,125,416</b>	<b>4,014,304</b>	<b>-</b>	<b>4,014,304</b>
Expenses:						
Program services	3,330,466	-	3,330,466	3,298,306	-	3,298,306
Management and general	415,580	-	415,580	397,979	-	397,979
Development	27,116	-	27,116	26,210	-	26,210
<b>Total operating expenses</b>	<b>3,773,162</b>	<b>-</b>	<b>3,773,162</b>	<b>3,722,495</b>	<b>-</b>	<b>3,722,495</b>
<b>Surplus on government funded school operations</b>	<b>352,254</b>	<b>-</b>	<b>352,254</b>	<b>291,809</b>	<b>-</b>	<b>291,809</b>
Contributions and Grants	87,692	10,000	97,692	115,271	-	115,271
Interest Income	34,939	-	34,939	53,825	-	53,825
Net Assets Released From Restrictions	-	-	-	4,256	(4,256)	-
<b>Change in net assets</b>	<b>474,885</b>	<b>10,000</b>	<b>484,885</b>	<b>465,161</b>	<b>(4,256)</b>	<b>460,905</b>
Net Assets:						
Beginning	2,165,246	-	2,165,246	1,700,085	4,256	1,704,341
Ending	<u>\$ 2,640,131</u>	<u>\$ 10,000</u>	<u>\$ 2,650,131</u>	<u>\$ 2,165,246</u>	<u>\$ -</u>	<u>\$ 2,165,246</u>

See Notes to Financial Statements.

Community Partnership Charter School

Statements of Functional Expenses  
Years Ended June 30, 2010 and 2009

	2010				2009			
	Program Services	Management and General	Development	Total	Program Services	Management and General	Development	Total
Personnel services	\$ 2,250,816	\$ 129,051	\$ -	\$ 2,379,867	\$ 2,268,961	\$ 125,564	\$ -	\$ 2,394,525
Employee benefits and payroll taxes	583,120	33,431	-	616,551	507,829	28,103	-	535,932
Occupancy	42,902	9,105	-	52,007	55,234	9,102	-	64,336
Consultants	19,755	-	-	19,755	10,875	-	-	10,875
Classroom instructional supplies	94,035	-	-	94,035	72,566	-	-	72,566
Textbooks and library books	30,621	-	-	30,621	58,692	-	-	58,692
Erate consultant	1,000	-	-	1,000	6,000	-	-	6,000
Curriculum and staff development	104,154	-	-	104,154	48,319	-	-	48,319
Outreach	684	-	-	684	3,225	-	-	3,225
Trips and admissions	29,289	-	-	29,289	12,765	-	-	12,765
Research and evaluation	13,009	-	-	13,009	14,386	-	-	14,386
After- and summer school programs	63,107	-	-	63,107	144,975	-	-	144,975
Management fees	54,233	189,813	27,116	271,162	52,421	183,473	26,210	262,104
Accounting and legal fees	-	20,899	-	20,899	-	16,220	-	16,220
Office and technology supplies	-	18,548	-	18,548	-	18,409	-	18,409
Telephone	-	8,364	-	8,364	-	9,607	-	9,607
Postage and shipping	-	3,074	-	3,074	-	3,703	-	3,703
Miscellaneous	28,182	3,295	-	31,477	20,151	3,798	-	23,949
Depreciation	15,559	-	-	15,559	21,907	-	-	21,907
	<u>\$ 3,330,466</u>	<u>\$ 415,580</u>	<u>\$ 27,116</u>	<u>\$ 3,773,162</u>	<u>\$ 3,298,306</u>	<u>\$ 397,979</u>	<u>\$ 26,210</u>	<u>\$ 3,722,495</u>

See Notes to Financial Statements.

# Community Partnership Charter School

## Statements of Cash Flows

Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities:		
Change in net assets	\$ 484,885	\$ 460,905
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,559	21,907
Changes in operating assets and liabilities:		
Increase in grants and pledges receivable	(31,618)	(4,254)
(Increase) decrease in interest receivable and other assets	(2,614)	10,295
Increase in due to Beginning with Children Foundation	22,690	586
(Decrease) increase in accounts payable and accrued expenses	(93,402)	62,098
(Decrease) increase in refundable advance	(15,297)	28,618
<b>Net cash provided by operating activities</b>	<b>380,203</b>	<b>580,155</b>
Cash Flows From Investing Activities:		
Purchases of property and equipment	(5,834)	(7,290)
Purchase of investment	-	(1,813,581)
Proceeds from sale of investment	429,547	827,404
<b>Net cash provided by (used in) investing activities</b>	<b>423,713</b>	<b>(993,467)</b>
<b>Net increase (decrease) in cash</b>	<b>803,916</b>	<b>(413,312)</b>
Cash:		
Beginning	262,008	675,320
Ending	\$ 1,065,924	\$ 262,008

See Notes to Financial Statements.

## Community Partnership Charter School

### Notes to Financial Statements

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#### **Note 1. Principal Business Activity and Summary of Significant Accounting Policies**

Principal Business Activity: Community Partnership Charter School (the "School") is an education corporation that operates as a charter school in the borough of Brooklyn, New York City. On April 4, 2000, 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. The Board of Trustees of the State University of New York and the School entered into a Second Renewal Charter Agreement on March 31, 2005 that expired on July 31, 2007. A five-year renewal was granted on January 11, 2007. The School's mission statement is as follows: At the Community Partnership Charter School, families, educators and community members join to create a learning environment that fosters high academic achievement which exceeds the New York State Learning Standards. An enriched curriculum and dynamic partnerships between the School, families and community enable all students to become life-long learners and active citizens who value kindness and respect.

The New York City Department of Education (the "NYCDOE") provides free and reduced-price lunches and transportation directly to a majority of the School's students.

Basis of Accounting: 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.

Contributions: The financial statements of the School reflect contributions received from the public and other organizations. The School reports gifts of cash and other assets 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 time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Amounts received with donor stipulations that limit the use of the assets for certain purposes are reported as unrestricted support if the stipulated purpose restriction is accomplished in the same year.

Grants and Refundable Advances: Revenue from the 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 or local grants and contracts are recognized as revenue when qualifying expenditures are incurred. Amounts received in excess of expenditures incurred are recognized as refundable advances.

Contributed Services: Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets or would have been purchased if not provided by donation, require special skills and are provided by individuals possessing such skills.

A number of volunteers have made a contribution of their time to the School to develop academic and other programs and to serve on the board of trustees. The value of this contributed time is not reflected in the financial statements as such services either do not require specialized skills or would not typically be purchased had they not been provided as donations.

Concentration of Credit Risk: The School maintains its cash in bank deposit accounts with two financial institutions. At times, balances on these accounts may exceed federally insured limits. The School has not experienced any losses in such accounts.

Investments: Investments are stated at amortized cost which approximates the fair value.

Property and Equipment and Related Depreciation: Property and equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The School capitalizes all purchases of property and equipment in excess of \$1,000.

Net Assets: Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired. Board-designated net assets were established by the board of trustees to provide a fiscally prudent reserve for unforeseen facility and personnel costs. Temporarily restricted net assets are restricted by donors for a specific purpose or for specified time periods beyond the current fiscal year.



## Community Partnership Charter School

### Notes to Financial Statements

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#### **Note 1. Principal Business Activity and 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 ("GAAP") requires management to make estimates and assumptions that affect the reported 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.

Income Taxes: The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As a nonprofit organization, the School is subject to unrelated business income tax ("UBIT"), if applicable. For the fiscal years ended June 30, 2010 and 2009, the School did not owe any UBIT.

On July 1, 2009, the School adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the School may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the School's tax positions and concluded that the School had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. With few exceptions, the School is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2006, which is the standard statute of limitations look-back period.

Subsequent Events: The School evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was October 26, 2010 for these financial statements.

New Accounting Standard: In June 2009, the Financial Accounting Standards Board (the "FASB") established the FASB Accounting Standards Codification ("ASC" or the "Codification") as the source of authoritative GAAP recognized by the FASB to be applied to nongovernmental entities, and rules and interpretative releases of the SEC as authoritative GAAP for SEC registrants. The Codification superseded all the existing non-SEC accounting and reporting standards upon its effective date and the FASB will not issue new standards in the form of statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. This guidance also replaced the prior guidance regarding the GAAP hierarchy given that the guidance within the Codification carries the same level of authority. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The guidance is limited to disclosure in the financial statements and the names by which the School refers to GAAP authoritative literature. There was no impact on the School's financial statements.

#### **Note 2. Related Party Transactions**

The Beginning with Children Foundation (the "Foundation") is a not-for-profit organization dedicated to improving the educational opportunities of urban children through the creation of autonomous, high-performing public schools. The Foundation is a cofounder of the School.

As educational manager to charter schools during the fiscal years ended June 30, 2010 and 2009, the Foundation entered into a Memorandum of Understanding ("MOU") with the School. Pursuant to the terms of the MOU, the School agreed to pay service fees to the Foundation in the amounts of \$271,162 and \$262,104 for the years ended June 30, 2010 and 2009, respectively. The Foundation supported the School in the areas

## Community Partnership Charter School

### Notes to Financial Statements

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#### Note 2. Related Party Transactions (Continued)

of leadership and strategy, curriculum and assessment, research and evaluation, business services, compliance, development, technology, communications, outreach and alumni program management. Amounts due to the Foundation at June 30, 2010 and 2009 were \$23,389 and \$699, respectively.

#### Note 3. Investments

Pursuant to the provisions described in Accounting Standards Codification Topic 820 Subtopic 10 ("ASC 820-10") formerly referred to as Statement of Financial Standards ("SFAS") No. 157, *Fair Value Measurements*, the School categorizes its financial instruments into a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuations for assets and liabilities traded in less active dealer or broker markets, those that have significant observable inputs (Level 2) are usually obtained from third-party pricing services for identical or similar assets or liabilities. If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The School's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The School's investments at June 30, 2010 and 2009 consist of certificates of deposit amounting to \$1,784,034 and \$2,213,581, respectively, which are classified as Level 2 in the fair value hierarchy.

Approximately 72% and 48% of the School's investments at June 30, 2010 and 2009, respectively, is held by one financial institution.

#### Note 4. Property and Equipment, Net

Property and equipment, net, at cost, consists of the following at June 30:

	<u>2010</u>	<u>2009</u>	<u>Estimated Useful Life</u>
Furniture and fixtures	\$ 108,328	\$ 105,449	3 to 7 years
Computer equipment	<u>133,319</u>	<u>130,364</u>	3 years
	241,647	235,813	
Less accumulated depreciation	<u>199,911</u>	<u>184,352</u>	
	<u>\$ 41,736</u>	<u>\$ 51,461</u>	

#### Note 5. Facilities

The School occupies space in a public school building owned by the NYCDOE located at 241 Emerson Place in Clinton Hill, Brooklyn. This facility has been made available at no charge to the School by the NYCDOE.

## **Community Partnership Charter School**

### **Notes to Financial Statements**

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#### **Note 6. Employee Benefit Plan**

The School maintains a defined contribution plan under Section 401(k) of the Internal Revenue Code covering all eligible employees. Under the plan, the School provides matching contributions. In addition, the School may elect on a discretionary basis to contribute a percentage of all qualified employees' compensation to the profit-sharing component of the plan. During 2010 and 2009, the amount charged to operations for contributions to the plan amounted to approximately \$68,000 and \$31,000, respectively.

#### **Note 7. Contingency**

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost 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 8. Temporarily Restricted Net Assets**

Temporarily restricted net asset consist of contributions that are restricted for the subsequent year.

**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  
Community Partnership Charter School  
Brooklyn, New York

We have audited the financial statements of Community Partnership Charter School (the "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 the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract 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 audit committee, management, the Charter Schools Institute of the State of New York, and the State Education Department of the University of the State of New York, and is not intended to be, and should not be, used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

New York, New York  
October 26, 2010