

AMBER CHARTER SCHOOL
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

AMBER CHARTER SCHOOL
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements	
Statements of financial position	3
Statements of activities	4
Statement of functional expenses - year ended June 30, 2010	5
Statement of functional expenses - year ended June 30, 2009	6
Statements of cash flows	7
Notes to financial statements	8-15
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>	16-17



CITRINCOOPERMAN

Attest & Assurance | Tax Compliance & Research | Specialty & Consulting

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Amber Charter School

We have audited the accompanying statements of financial position of Amber Charter School (a nonprofit organization) (the "Organization") 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 Amber 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. 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 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 Amber Charter School'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 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 Amber 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.

As discussed in Note 2 to the financial statements, as of July 1, 2009, the Organization changed its method of accounting for uncertainty in income taxes. In addition, as discussed in Note 2 to the financial statements, as of July 1, 2008, the Organization adopted new accounting guidance related to fair value measurements and disclosures.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2010 on our consideration of Amber 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.

Celine Cooperman Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

October 25, 2010

AMBER CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	2010	2009
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 796,144	\$ 440,426
Certificate of deposit	210,997	205,656
Grants and contracts receivable	106,735	166,178
Other receivable	21,600	23,200
Prepaid expenses	-	4,290
Total current assets	1,135,476	839,750
Property and equipment, net	4,405,006	4,280,515
Other assets:		
Operating and capital reserves	326,282	326,282
Deferred costs	-	133,995
Deposit on contract	32,580	-
Total other assets	358,862	460,277
TOTAL ASSETS	\$ 5,899,344	\$ 5,580,542

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 148,033	\$ 116,218
Accrued payroll	454,396	414,613
Per student funding payable	69,151	-
Note payable	-	65,000
Current maturities of long-term debt	2,215,774	115,529
Total current liabilities	2,887,354	711,360
Long-term liabilities:		
Long-term debt, less current maturities	239,500	2,456,472
Total liabilities	3,126,854	3,167,832
Commitments and contingencies (Notes 4, 5, 6, 8, and 12)		
Net assets:		
Unrestricted	2,772,490	2,412,710
TOTAL LIABILITIES AND NET ASSETS	\$ 5,899,344	\$ 5,580,542

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Revenue and support:		
Public school district:		
Per student funding	\$ 4,967,873	\$ 4,418,406
Grants and contracts:		
State and local	39,681	118,202
Federal	451,638	605,079
Contributions:		
Foundations	228,002	33,696
Individuals	1,390	9,250
Corporations	38,593	18,122
Fundraising income	-	53,037
Interest income	11,150	12,285
Rental income	63,076	56,073
Miscellaneous income	30,128	12,175
Total revenue and support	5,831,531	5,336,325
Expenses:		
Program services:		
Education	4,819,625	4,916,730
Management and general	652,126	477,045
Fundraising expense	-	44,219
Total expenses	5,471,751	5,437,994
Change in net assets	359,780	(101,669)
Net assets - beginning	2,412,710	2,514,379
NET ASSETS - ENDING	\$ 2,772,490	\$ 2,412,710

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services	Supporting Services		Total
	Education	Management and General	Fundraising	
Personnel service costs:				
Administrative staff personnel	\$ -	\$ 347,344	\$ -	\$ 347,344
Instructional personnel	2,266,803	-	-	2,266,803
Non-instructional personnel	<u>516,540</u>	<u>-</u>	<u>-</u>	<u>516,540</u>
Total personnel service costs	2,783,343	347,344	-	3,130,687
Fringe benefits and payroll taxes	688,869	85,968	-	774,837
Legal service	20,000	-	-	20,000
Interest expense	145,223	6,051	-	151,274
Accounting and audit services	51,168	2,132	-	53,300
Other professional and consulting services	140,424	24,116	-	164,540
Security	12,756	-	-	12,756
Repairs and maintenance	74,588	7,468	-	82,056
Insurance	76,922	-	-	76,922
Utilities	124,338	-	-	124,338
Supplies and materials	94,172	-	-	94,172
Equipment rental	29,677	13,835	-	43,512
Staff development	69,707	-	-	69,707
Technology	35,984	-	-	35,984
Food service	144,523	4,328	-	148,851
Student services	30,522	-	-	30,522
Office expenses	19,062	7,974	-	27,036
Depreciation	181,371	7,447	-	188,818
Travel	4,752	-	-	4,752
Dues and subscriptions	6,169	257	-	6,426
Postage	10,764	-	-	10,764
Bad debt expense	-	3,000	-	3,000
License and permits	2,103	-	-	2,103
Payroll processing fees	64,765	-	-	64,765
Write off of deferred costs	-	133,995	-	133,995
Miscellaneous	<u>8,423</u>	<u>8,211</u>	<u>-</u>	<u>16,634</u>
TOTAL FUNCTIONAL EXPENSES	\$ <u>4,819,625</u>	\$ <u>652,126</u>	\$ <u>-</u>	\$ <u>5,471,751</u>

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	Program Services	Supporting Services		Total
	Education	Management and General	Fundraising	
Personnel service costs:				
Administrative staff personnel	\$ -	\$ 329,509	\$ -	\$ 329,509
Instructional personnel	2,111,470	-	-	2,111,470
Non-instructional personnel	<u>580,788</u>	<u>-</u>	<u>-</u>	<u>580,788</u>
Total personnel service costs	2,692,258	329,509	-	3,021,767
Fringe benefits and payroll taxes	556,473	60,922	-	617,395
Legal service	14,024	-	-	14,024
Interest expense	150,250	6,260	-	156,510
Accounting and audit services	63,470	2,710	-	66,180
Other professional and consulting services	139,437	20,000	-	159,437
Security	15,046	-	-	15,046
Repairs and maintenance	154,048	8,693	-	162,741
Insurance	75,583	-	-	75,583
Utilities	129,831	-	-	129,831
Supplies and materials	195,400	-	-	195,400
Equipment rental	32,266	14,430	-	46,696
Staff development	153,118	-	-	153,118
Technology	29,931	-	-	29,931
Food service	115,292	15,019	-	130,311
Student services	39,089	-	-	39,089
Office expenses	30,803	10,465	-	41,268
Depreciation	169,477	6,946	-	176,423
Travel	48,276	-	-	48,276
Dues and subscriptions	5,855	382	-	6,237
Postage	10,564	-	-	10,564
Fundraising	-	-	44,219	44,219
License and permits	16,705	-	-	16,705
Payroll processing fees	74,152	-	-	74,152
Miscellaneous	<u>5,382</u>	<u>1,709</u>	<u>-</u>	<u>7,091</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 4,916,730</u>	<u>\$ 477,045</u>	<u>\$ 44,219</u>	<u>\$ 5,437,994</u>

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 359,780	\$ (101,669)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Interest on certificate of deposit	(5,341)	(5,656)
Depreciation	188,818	176,423
Write off of deferred costs	133,995	-
Noncash contributions of equipment	(15,043)	-
Bad debt expense	3,000	-
Changes in operating assets and liabilities:		
Grants and contracts receivable	56,443	(37,794)
Other receivable	1,600	(4,800)
Prepaid expenses	4,290	6,266
Accounts payable and accrued expenses	31,815	(59,976)
Accrued payroll	39,783	129,915
Deferred revenue	<u>69,151</u>	<u>(50,353)</u>
Net cash provided by operating activities	<u>868,291</u>	<u>52,356</u>
Cash flows from investing activities:		
Purchase of certificate of deposit	-	(200,000)
Additions to property and equipment	(298,266)	(306,326)
Deposit on contract	<u>(32,580)</u>	<u>-</u>
Net cash used in investing activities	<u>(330,846)</u>	<u>(506,326)</u>
Cash flows from financing activities:		
Drawdowns (repayments) on note payable	(65,000)	65,000
Principal repayments of long-term debt	<u>(116,727)</u>	<u>(108,337)</u>
Net cash used in financing activities	<u>(181,727)</u>	<u>(43,337)</u>
Net increase (decrease) in cash	355,718	(497,307)
Cash - beginning	<u>440,426</u>	<u>937,733</u>
CASH - ENDING	<u>\$ 796,144</u>	<u>\$ 440,426</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 151,274</u>	<u>\$ 156,510</u>
Supplemental disclosure of non-cash investing and financing activities:		
Non-cash contribution of equipment	<u>\$ 15,043</u>	<u>\$ -</u>

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1 - ORGANIZATION

Pursuant to Article 56 of the New York State Education Law by the Board of Regents of the University of the State of New York, Amber Charter School ("Amber" or the "Organization") was incorporated on April 4, 2000, as a charter school valid for a term of five years. Charters are renewable every five years. Amber was successfully re-chartered in the spring of 2010 for an additional five years. Amber is a nonprofit, grade charter school located in the Upper Manhattan section of the City of New York, serving children in kindergarten through fifth grade. Founded by Community Association of Progressive Dominicans/Asociacion Comunal de Dominicanos Progresistas, Amber is the first charter school in New York City created by a community-based organization, and the first to develop an English/Spanish two-way immersion program. Amber's mission is to provide comprehensive learning experiences that will enable all of its students to become fully educated, creative adults, prepared to take leadership roles in New York City and in our global society. To fulfil this mission, Amber attempts to prepare each of its students with the ability to demonstrate proficiency and/or distinction in all New York State Learning Standards. Amber's funding is primarily from per-student funding provided by New York City; additionally Amber receives private grants and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

In the statements of activities, Amber distinguishes between contributions that increase permanently restricted net assets (subject to perpetual funding source imposed restrictions), temporarily restricted net assets (funding source-imposed restrictions have not been met) and unrestricted net assets (not subject to funding source-imposed restrictions or whose funding source-imposed restrictions have been met). As of June 30, 2010 and 2009, there were no temporarily or permanently restricted net assets.

Recently Adopted Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued authoritative guidance that established the FASB Accounting Standards Codification ("Codification" or "ASC") as the source of authoritative generally accepted accounting principles ("GAAP") recognized by the FASB to be applied to all nongovernmental entities. The Codification supersedes all of the existing accounting and reporting standards applicable to privately held companies upon its effective date and, subsequently, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. The guidance is not intended to change or alter existing GAAP. The guidance became effective for the Organization for the year ended June 30, 2010. The guidance did not have an impact on the Organization's financial position, results of operations or cash flows. All references to previous numbering of FASB statements, FASB Staff Positions or Emerging Issues Task Force Abstracts have been removed from the financial statements and accompanying notes.

On July 1, 2009, the Organization adopted the new standard for uncertainty in income taxes. The Organization is required to apply the "more likely than not" threshold to the recognition and derecognition of tax positions. The standard also provides guidance on the measurement of tax positions, statement of financial position classification, interest and penalties, accounting in interim periods, disclosures, and transition. Adoption of the standard did not have a material effect on the Organization's financial statements.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncements (Continued)

In May 2009, the FASB issued guidance related to subsequent events, which was primarily codified into FASB ASC 855, *Subsequent Events*. This guidance establishes general standards of accounting for and disclosure of events that occur after the statement of financial position date but before financial statements are issued. In particular, the guidance sets forth: (1) the period after the statement of financial position date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (2) the circumstances under which an entity should recognize events or transactions occurring after the statement of financial position date in its financial statements; and (3) the disclosures that an entity should make about events or transactions that occurred after the statement of financial position date. FASB ASC 855 is effective for interim or annual periods ending after June 15, 2009, and is to be applied prospectively. The Organization adopted FASB ASC 855 as of June 30, 2010. The Organization has evaluated all events or transactions that occurred after June 30, 2010, up through the date that the financial statements were available to be issued on October 25, 2010.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash and purchased with original maturities of three months or less.

Property and Equipment

Property and equipment, when purchased, are recorded at cost. Contributions of property and equipment are recorded at their estimated fair values at the date of contribution. Depreciation of equipment is calculated using the double declining balance method over the estimated useful lives of the assets. Maintenance and repairs are charged to operations when incurred. Expenditures that increase the value or significantly extend the lives of assets are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally promised and are reflected as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Grants are recognized as revenue when they are unconditionally awarded.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donations-in-kind

Contributions of donated noncash assets are recorded at their fair values at the date received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Compensation expenses and certain other costs have been allocated by management between the programs and supporting services benefited.

Fair Value Measurements

In September 2006, the FASB issued authoritative guidance for fair value measurements, which has been codified in FASB in ASC 820, *Fair Value Measurements and Disclosures*. The new guidance enhances existing guidance for measuring assets and liabilities at fair value. The guidance defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements. The Organization adopted this standard as amended by subsequent FASB standards beginning July 1, 2008, on a prospective basis, with respect to fair value measurements of assets and liabilities that are measured at fair value on a recurring basis (at least annually) in periods subsequent to initial recognition.

The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under the new standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

In accordance with FASB ASC 740, *Income Taxes*, the Organization has applied the "more likely than not" threshold to the recognition and derecognition of tax positions for their 2010 financial statements. Using that guidance, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of June 30, 2010.

Since the guidance relating to accounting for uncertainty in income taxes discussed above was not required for the 2009 financial statements, the Organization continued to utilize its prior policy of accounting for contingencies with respect to accounting for uncertain tax position in those financial statements. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of June 30, 2009, the Organization had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements.

The Organization files income tax returns in the U.S. federal jurisdiction and in the State of New York. The Organization is no longer subject to U.S. or New York State income tax examinations by tax authorities for years before 2007.

NOTE 3 - TAX EXEMPT STATUS

Amber qualifies as a charitable organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from Federal income taxes. Amber is also exempt from New York State and New York City income taxes. Additionally, since Amber is a Section 509(a)(1) publicly supported organization, contributions made to Amber qualify for the maximum charitable contribution deduction under the Internal Revenue Code.

NOTE 4 - CONCENTRATION OF CREDIT RISKS

Amber maintains cash balances with a financial institution in New York City which routinely during 2010 and 2009, were in excess of federal insurance limits. Amber has not experienced any losses in these accounts, and management does not believe Amber is exposed to any significant credit risks with respect to cash.

Revenue from The New York City Department of Education ("NYC") accounted for 85% and 83% of total revenue and support during the years ended June 30, 2010 and 2009, respectively. Federal grantor agencies accounted for 8% and 11% of total revenue and support during the years ended June 30, 2010 and 2009, respectively.

Additionally, federal grantor agencies accounted for 97% and 88% of total grants and contracts receivable at June 30, 2010 and 2009, respectively.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 5 - LONG-TERM DEBT

Long-term debt consisted of the following:

	<u>2010</u>	<u>2009</u>
First mortgage payable to Raza Development Fund, Inc., ("Raza"), dated June 22, 2004. The loan is collateralized by Amber's real estate in the City of New York and guaranteed by ACDP. It is due in monthly installments of \$19,229, including interest at 6% per annum, with a balloon payment of approximately \$2,096,900 due at maturity on June 1, 2011.	\$ 2,195,224	\$ 2,289,059
Second mortgage payable to Local Initiatives Support Corporation, dated June 22, 2004. The loan is collateralized by Amber's real estate in the City of New York. This loan has been subordinated to the first mortgage from Raza described above. The loan is due in monthly installments of \$3,122 including interest at 6% per annum, with a balloon payment of approximately \$239,500 due at maturity on July 1, 2011.	260,050	282,941
Less: current portion	2,455,274 (2,215,774)	2,572,000 (115,528)
Long-term debt, net of current portion	\$ 239,500	\$ 2,456,472

Maturities of long-term debt are as follows:

<u>Year ending June 30:</u>	
2011	\$ 2,215,774
2012	239,500

In connection with the mortgage loan agreement with Raza (the "Raza mortgage"), Amber is required to maintain a debt service coverage ratio of 1.15 to 1 and certain operating and replacement reserves. At June 30, 2009, Amber was not in compliance with the debt service coverage ratio. However, Raza waived this event of non-compliance. At June 30, 2010, Amber was in compliance with the debt service coverage ratio.

Pursuant to the terms of the Raza mortgage, Amber must maintain certain reserve account balances. Based on calculations required each year, within 30 days of the lenders receipt of Amber's most recent audited financial statements, Amber may be required to supplement those reserves. However, at both June 30, 2010 and 2009, no additional deposits were necessary, as Amber's existing reserves were in excess of the amounts required by the lender.

In addition, the Raza mortgage agreement contains certain restrictions regarding Amber's ability to borrow money without the prior written consent of Raza, and a requirement that an operating and capital expenditure budget be submitted to Raza annually.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 6 - NOTE PAYABLE

Amber had a \$100,000 noncommitted credit line with a major New York City bank. Borrowings under the note bear interest at the prime rate plus 1% per annum (the prime rate was 3.25% at June 30, 2010 and 2009) and are personally guaranteed by a member of Amber's Board of Directors. At June 30, 2010 and 2009, Amber owed \$ - and \$65,000, respectively, under the credit agreement. The credit line expired in January, 2010.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Land	\$ 335,000	\$ 335,000
Building	3,123,388	3,123,388
Equipment, furniture and fixtures	844,884	588,484
Building improvements	1,256,394	1,205,644
Software	<u>42,303</u>	<u>36,144</u>
	5,601,969	5,288,660
Less: accumulated depreciation	<u>1,196,963</u>	<u>1,008,145</u>
Property and equipment, net	<u>\$ 4,405,006</u>	<u>\$ 4,280,515</u>

NOTE 8 - LEASES

Lease Revenue

At June 30, 2010, Amber had operating lease agreements with three tenants, expiring periodically through April 2013. One lease which expires in October 2011, grants the tenant the right to extend the term for five successive five-year periods.

Future minimum rents receivable under these noncancelable leases are as follows:

Year ending June 30:

2011	\$ 33,554
2012	34,415
2013	<u>12,697</u>
Total	<u>\$ 80,666</u>

Lease Expense

Amber leases office equipment pursuant to noncancelable operating leases that expire periodically through September 2013. For the years ended June 30, 2010 and 2009, total lease payments aggregated \$43,021 and \$46,696, respectively.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 8 - LEASES (CONTINUED)

Lease Expense

Future minimum lease payments under noncancelable leases are as follows:

Year ending June 30:

2011	\$ 23,210
2012	13,797
2013	13,797
2014	3,449
Total	\$ 54,253

NOTE 9 - DEFERRED COSTS

Deferred costs consisted primarily of environmental tests and architectural studies conducted on real estate located on Amsterdam Avenue in New York City and owned by the City of New York. Amber had been in negotiations with the City of New York Department of Education ("DOE") to construct a facility at the site for Amber's future use. Upon construction of the facility, the deferred costs were to be capitalized to the cost of the property. However, during the year ended June 30, 2010, Amber decided not to proceed with any further negotiations with DOE regarding the development of this property. Accordingly, Amber has expensed these costs through operations.

NOTE 10 - DONATED EQUIPMENT, MATERIAL AND SERVICES

Related Parties

A member of Amber's Board of Directors is a partner in a law firm that provides pro bono legal services to Amber. The value of the services provided to Amber during the years ended June 30, 2010 and 2009, was \$20,000 and \$14,022, respectively. Such amounts are reflected in private grants and contributions and in professional fees in the accompanying financial statements.

Others

During the year ended June 30, 2010, an unrelated party donated computers to Amber which had a fair value of \$15,043 at the date of the contribution. In 2009, another unrelated party donated toys to Amber which had a fair value of \$3,200 at the date of contribution. These amounts are reflected in private grants and contributions in the accompanying financial statements.

NOTE 11 - RETIREMENT PLAN

Amber sponsors a defined contribution 403(b) retirement plan covering substantially all of its full-time employees. Contributions to the plan on behalf of non-union employees are at the discretion of the Board of Directors. Contributions on behalf of union employees are in accordance with the union contract, which specified a 3% match as defined in the agreement for 2010 and 2009. For the years ended June 30, 2010 and 2009, Amber contributed \$84,645 and \$59,172, respectively, to the plan on behalf of the non-union and union employees.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Certain of Amber's contracts are subject to audit by the funding sources. Disallowance and adjustments, if any, resulting from such audits, will be reflected in financial statements in the year of determination.

In June 2010, Amber entered into an contract for roof replacement and asbestos removal in the amount of \$108,600. Upon signing the contract, Amber was required to pay, as a deposit, \$32,580, with the balance of the contract due upon completion.

At June 30, 2010, Amber had approximately 62 employees, of which, approximately 40 are represented by a union. The union agreement covering these employees expired on August 31, 2010. Amber is in the process of attempting to negotiate a new contract with the union.

NOTE 13 - RECLASSIFICATIONS

Certain amounts in the 2009 financial statements have been reclassified to conform to the current year's presentation. The decrease in net assets previously reported for 2009 was not affected by these changes.



CITRINCOOPERMAN

Attest & Assurance | Tax Compliance & Research | Specialty & Consulting

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 Directors
Amber Charter School

We have audited the financial statements of Amber Charter School (a nonprofit organization) (the "Organization") as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated October 25, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audits, we considered Amber 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 Amber Charter School'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 a 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 Amber 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 Directors, Charter School Institute, governmental agencies, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Citrin Cooperman Company, LLP
CITRIN COOPERMAN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Springfield, New Jersey
October 25, 2010