

***ALBANY LEADERSHIP CHARTER HIGH SCHOOL
FOR GIRLS***

FINANCIAL STATEMENTS

***FOR THE PERIOD FROM INCEPTION (JANUARY 7, 2010)
TO JUNE 30, 2011***

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

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INDEPENDENT AUDITOR'S REPORT

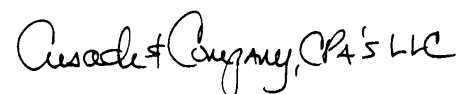
Board of Trustees
Albany Leadership Charter High School for Girls
Albany, New York

We have audited the accompanying statement of financial position of Albany Leadership Charter High School for Girls as of June 30, 2011 and the related statements of activities and change in net assets, cash flows, and functional expenses for the period from inception (January 7, 2010) to June 30, 2011. These financial statements are the responsibility of Albany Leadership Charter High School for Girls' 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 referred to above present fairly, in all material respects, the financial position of Albany Leadership Charter High School for Girls as of June 30, 2011, and the changes in its net assets and cash flows for the initial period 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 5, 2011 on our consideration of Albany Leadership Charter High School for Girls' 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 internal control over financial reporting 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.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 5, 2011

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 45,782
Grants and Contracts Receivable	464,773
Accounts Receivable	18,351
Prepaid Expense	<u>13,989</u>

Total Current Assets 542,895

Property, Building and Equipment - Net 477,367

Total Assets \$1,020,262

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable and Accrued Expenses	\$ 428,429
Accrued Payroll and Benefits	145,720
Deferred Revenue	<u>28,035</u>

Total Current Liabilities 657,184

Net Assets

Unrestricted 418,078

Total Liabilities and Net Assets \$1,020,262

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS****FOR THE PERIOD FROM INCEPTION (JANUARY 7, 2010) TO JUNE 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other Support:			
Public School District			
Resident Student Enrollment	\$ 2,060,368	\$ -	\$ 2,060,368
Students with Disabilities	51,853	-	51,853
Grants and Contracts			
State and Local	235,000	-	235,000
Federal - Title and IDEA	83,000	-	83,000
Federal - Other	293,966	-	293,966
Food Service/Children Nutrition Program	<u>68,802</u>	<u>-</u>	<u>68,802</u>
Total Revenue and Other Support	<u>2,792,989</u>	<u>-</u>	<u>2,792,989</u>
Expenses:			
Program Services			
Regular Education	1,424,046	-	1,424,046
Special Education	116,097	-	116,097
Other Programs	<u>135,189</u>	<u>-</u>	<u>135,189</u>
Total Program Services	1,675,332	-	1,675,332
Management and General	1,438,823	-	1,438,823
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>3,114,155</u>	<u>-</u>	<u>3,114,155</u>
Deficit from School Operations	<u>(321,166)</u>	<u>-</u>	<u>(321,166)</u>
Support and Other Revenue:			
Contributions			
Foundations	594,120	-	594,120
Interest Income	-	-	-
Miscellaneous Income	<u>145,124</u>	<u>-</u>	<u>145,124</u>
Total Support and Other Revenue	<u>739,244</u>	<u>-</u>	<u>739,244</u>
Increase in Net Assets	418,078	-	418,078
Net Assets, Beginning of Period	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, End of Period	<u>\$ 418,078</u>	<u>\$ -</u>	<u>\$ 418,078</u>

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM INCEPTION (JANUARY 7, 2010) TO JUNE 30, 2011

Cash Flows Provided by Operating Activities:

Increase in Net Assets \$ 418,078

Adjustments to Reconcile Increase in Net Assets
to Net Cash Provided by Operating Activities:

Depreciation 52,930

Changes in Operating Assets and Liabilities

Increase in Assets

Grants and Contracts Receivable (464,773)

Accounts Receivable (18,351)

Prepaid Expense (13,989)

Increase in Liabilities

Accounts Payable and Accrued Expenses 428,429

Accrued Payroll and Benefits 145,720

Deferred Revenue 28,035

Net Cash Provided by Operating Activities 576,079

Cash Flows Used in Investing Activities

Purchase of Property and Equipment (530,297)

Net Increase in Cash and Cash Equivalents 45,782

Cash and Cash Equivalents, Beginning of Period -

Cash and Cash Equivalents, End of Period \$ 45,782

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE PERIOD FROM INCEPTION (JANUARY 7, 2010) TO JUNE 30, 2011

	<u>Program Services</u>				<u>Supporting Services</u>			
	<u>Regular</u>	<u>Special</u>	<u>Other</u>		<u>Management</u>			
	<u>Education</u>	<u>Education</u>	<u>Education</u>	<u>Total</u>	<u>Fundraising</u>	<u>and General</u>	<u>Total</u>	<u>Total</u>
Administrative Staff	\$ 38,400	\$ -	\$ -	\$ 38,400	\$ -	\$ 630,633	\$ 630,633	\$ 669,033
Instructional Personnel	576,843	48,331	-	625,174	-	-	-	625,174
Non-Instructional Personnel	-	-	-	-	-	23,821	23,821	23,821
Total Salaries and Staff	615,243	48,331	-	663,574	-	654,454	654,454	1,318,028
Fringe Benefits and Payroll Taxes	142,993	11,981	-	154,974	-	162,232	162,232	317,206
Retirement	2,817	236	-	3,053	-	3,196	3,196	6,249
Legal Service	9,284	778	-	10,062	-	10,534	10,534	20,596
Accounting/Audit Services	2,849	239	-	3,088	-	3,232	3,232	6,320
Other Purchased/Professional/ Consulting Services	56,710	4,751	-	61,461	-	64,340	64,340	125,801
Building and Land Rent/Lease	293,644	24,603	22,098	340,345	-	311,055	311,055	651,400
Repairs and Maintenance	53,831	4,510	4,051	62,392	-	57,023	57,023	119,415
Insurance	10,624	890	799	12,313	-	11,254	11,254	23,567
Utilities	24,293	2,035	1,828	28,156	-	25,733	25,733	53,889
Supplies/Materials	122,055	10,226	-	132,281	-	44,887	44,887	177,168
Equipment/Furnishings	20,552	1,722	-	22,274	-	23,317	23,317	45,591
Staff Development	8,918	747	-	9,665	-	-	-	9,665
Marketing/Recruitment	12,008	1,006	-	13,014	-	13,624	13,624	26,638
Technology	3,808	319	-	4,127	-	4,320	4,320	8,447
Food Service	-	-	75,823	75,823	-	-	-	75,823
Student Services	-	-	29,819	29,819	-	-	-	29,819
Office Expense	10,238	858	771	11,867	-	10,858	10,858	22,712
Depreciation and Other	34,179	2,865	-	37,044	-	38,778	38,778	75,821
Total Expenses	<u>\$1,424,046</u>	<u>\$ 116,097</u>	<u>\$ 135,189</u>	<u>\$ 1,675,332</u>	<u>\$ -</u>	<u>\$1,438,823</u>	<u>\$1,438,823</u>	<u>\$ 3,114,155</u>

1. ORGANIZATION AND PURPOSE

Organization

The mission of Albany Leadership Charter High School for Girls is to prepare young women to graduate from high school with the academic and leadership skills necessary to succeed in college and the career of their choosing.

During the 2010-2011 school year, the School had an annualized full-time enrollment of approximately 150 students in grades 9 and 10.

The School is governed by a Board of Trustees in accordance with the School's by-laws. The School works closely with the Brighter Choice Foundation, which provides start-up grants, school facilities, revolving loan funds and technical assistance to area charter schools.

The School is exempt from federal and state income tax under §501(c)(3) of the Internal Revenue Code and comparable New York State Law. The School is designated as a publicly supported organization which is not a private foundation under §509(a) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements of the School have been prepared in accordance with the accrual basis of accounting and conforms to accounting principles generally accepted in the United States of America.

Support and Expenses

Grants and pledges received are measured at their fair values and reported as an increase in net assets. The School reports grants and pledges as restricted when a portion of their value is assigned to a long-term future use, long-term meaning in excess of one year for the purpose of these statements.

The School reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services and Goods

No amounts have been reflected in the financial statements for donated services or goods.

Grants, Contracts and Accounts Receivable

The School utilizes the allowance method to determine the allowance for doubtful accounts. For the initial period ended June 30, 2011 management determined no allowance was necessary based upon their review of the specific receivables.

Property, Equipment and Depreciation

Property and equipment are reflected at cost, with depreciation provided on a straight-line basis over an estimated useful life of 15 years for leasehold improvements, 7 years for furniture, 5 years for equipment, and 3 years for software. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Conditional and Unconditional Promises to Give

For the initial period ended June 30, 2011 the School had not received any conditional or unconditional promises to give.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs benefitted. Salaries are allocated based on estimates of total time spent, while other expenses are allocated based on estimates of the resources used.

Estimates

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 certain reported amounts and disclosures. Actual results could differ from these estimates.

Fair Value Measurement - Definition and Hierarchy

The School adopted the provisions of FASB ASC 820-10, (formerly SFAS No. 157), *Fair Value Measurements*. FASB ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement - Definition and Hierarchy (Continued)

The School uses various valuation techniques in determining fair value. FASB ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the School. Unobservable inputs are inputs that reflect the School's assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the School has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

The School's cash and cash equivalents are valued utilizing Level 1 inputs.

- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

The School's prepaid expenses, grants and contracts receivable, accounts receivable and current liabilities are primarily valued utilizing Level 2 inputs.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The School has no accounts under Level 3 inputs.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the School in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*Accounting for Uncertainty in Income Taxes*

The Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109, Accounting for Income Taxes* ("FIN48"). FIN 48, now referred to as FASB ASC 740-10, requires entities to disclose in their financial statements the nature of any uncertainty in their tax position. For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur and jeopardize the tax-exempt status. The School has implemented this policy and its current accounting policy for evaluating uncertain tax positions is in accordance with generally accepted accounting principles.

The School has not recognized any benefits from uncertain tax positions in 2011 and believes it has no uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the balance sheet date of June 30, 2011. Federal authorities may examine the School's Form 990 tax returns for three years from the date of filing.

Subsequent Events

The School adopted ASC 855, *Subsequent Events*, which establishes general standards of accounting for, and disclosure of, events that occur after the date of the financial statements but before the financial statements are issued or are available to be issued. In preparing the financial statements and notes thereto, the School has considered subsequent events through October 5, 2011, the date the financial statements were available to be issued.

3. GRANTS, CONTRACTS AND ACCOUNTS RECEIVABLE

For the initial period ended June 30, 2011, grants, contracts and accounts receivable were comprised of the following:

School District Tuition	\$ 357,566
U.S. Department of Agriculture	4,940
U.S. Department of Education	102,267
Other Receivables	<u>18,351</u>
	<u>\$ 483,124</u>

ALBANY LEADERSHIP CHARTER HIGH SCHOOL FOR GIRLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

4. PROPERTY AND EQUIPMENT

Property and equipment are reflected at historical cost, net of related depreciation, and are comprised of the following for the initial period ended June 30, 2011.

Furniture/Fixtures	\$ 125,174
Computers/Software	46,063
Equipment	87,261
Leasehold Improvements	<u>271,799</u>
Total at Cost	530,297
Less: Accumulated Depreciation	<u>(52,930)</u>
	<u>\$ 477,367</u>

Depreciation expense was \$52,930 for the initial period ended June 30, 2011.

5. RENTAL OF FACILITIES

The School currently leases facilities through July 31, 2017 from the Brighter Choice Foundation. Net occupancy costs of the lease for the initial period ending June 30, 2011 was \$645,000. Rent assistance was received from the Foundation in the amount of \$365,000 and recorded as in-kind revenue (Contributions: foundations) in the Statement of Activities for the initial period ending June 30, 2011. Gross occupancy costs for the year ending June 30, 2012 are estimated at \$712,600, and at present time, no rental assistance has been pledged to the School for future years.

Future annual minimum lease payments required under the lease in the fiscal year ending June 30, are approximated as follows:

2012	\$ 712,600
2013	\$ 722,800
2014	\$ 728,800
2015	\$ 734,800
2016	\$ 740,800

6. RETIREMENT PLAN

The School has adopted a retirement plan under IRC §401(k) covering all eligible employees. The School contributes a matching contribution to each eligible employee at the rate of 2% of the employee's gross compensation for the calendar year. The School's retirement plan expense for the initial period ended June 30, 2011 was \$6,249.

7. CONCENTRATION OF RISK

The School receives a substantial portion of its funding from school districts where students reside. Three school districts comprised approximately 64% of total revenue and support for the initial period ended June 30, 2011. No other funding sources accounted for more than 10% of total revenue and support.

The School does occasionally maintain deposits in excess of federal insured limits. FASB ASC 850-10 identifies this as a possible concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is further managed by maintaining all deposits in high quality financial institutions.

The School is subject to audits and reviews of reimbursable costs by various governmental agencies. The outcome of the audits and reviews may have the effect of retroactively increasing or decreasing revenue from various services. These charges, if any, will be recognized in accordance with the rules and guidelines established by the various funding sources.

**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
Albany Leadership Charter High School for Girls

We have audited the financial statements of Albany Leadership Charter High School for Girls (a nonprofit organization) as of and for the period from inception (January 7, 2010) to June 30, 2011, and have issued our report thereon dated October 5, 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 Albany Leadership Charter High School for Girls'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

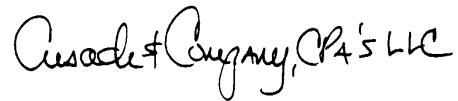
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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 Albany Leadership Charter High School for Girls' 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 the school in a separate letter dated October 5, 2011.

This report is intended solely for the information and use of management, others within the School, and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 5, 2011