

By FedEx

1400 Half Moon Bay Drive  
Croton-on-Hudson, N.Y. 10520

October 30, 2009

Charter Schools Institute  
State University of New York  
41 State Street, Suite 700  
Albany, NY 12207

RE: Harbor Charter School  
FY2009 Audited Financial Statement

To Whom It May Concern:

I serve as Chair of the Finance Committee of the Board of the Harbor Science and Arts Charter School ("School"). Enclosed please find the Transmittal Form, and School's audited financial statement for fiscal year 2009 issued by BDO Seidman, LLP, together with the executed Report on Internal Control over Financial Reporting and on Compliance.

Thank you.

Sincerely yours,

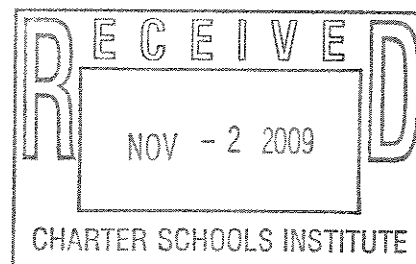


Lisa M. Stenson Desamours

C: Public School Choice Programs  
New York State Education Dept.  
89 Washington Avenue, Rm.462 EBA  
Albany, NY 12234

Office of Audit Services  
New York State Education Dept.  
89 Washington Avenue, Rm. 524 EB  
Albany, NY 12234

File



## Appendix A. Transmittal Form

### Charter School Annual Financial Statement Audit Report

To: Charter Schools Institute  
State University of New York  
41 State Street, Suite 700  
Albany, New York 12207

From: School Name:	The Harbor Science and Arts Charter School
Audit Period:	July 1, 2008 - June 30, 2009
Date: Report is due Nov. 1	October 30, 2009

The following items are required to be included:

- ☒ The independent auditor's report on financial statements, financial statements and notes.
- ☒ Reports on internal control over financial reporting and on compliance.

The additional items listed below should be included if applicable. Please explain the reason(s) if the items are not included. Examples might include: a written management letter was not issued; the school did not expend federal funds in excess of the Single Audit Threshold of \$500,000; the management letter response will be submitted by the following date (should be no later than 30 days from the submission of the report); etc.

Item	If not included, state the reason(s) below
Management Letter	additional signatures required, to be obtained week of 11/2/09
Management letter response	
Federal Single Audit (A-133) <sup>2</sup>	not applicable
Corrective Action Plan	not applicable

Please also send one copy of this form and all required enclosures to each of the following offices:

Public School Choice Programs New York State Education Department 89 Washington Avenue Room 462 EBA Albany, New York 12234	Office of Audit Services New York State Education Department 89 Washington Avenue Room 524 EB Albany, New York 12234
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<sup>2</sup> A copy of the Federal Single Audit must be filed with the Federal Audit Clearinghouse. Please refer to OMB Circular A-133 for the federal filing requirements.

# **The Harbor Science and Arts Charter School**

**Financial Statements**  
Years Ended June 30, 2009 and 2008

# **The Harbor Science and Arts Charter School**

## **Financial Statements**

Years Ended June 30, 2009 and 2008

# **The Harbor Science and Arts Charter School**

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## Independent Auditors' Report

To the Board of Directors  
The Harbor Science and Arts Charter School

We have audited the accompanying statements of financial position of The Harbor Science and Arts Charter School (the "School") as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years 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 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 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 the 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 The Harbor Science and Arts Charter School as of June 30, 2009 and 2008, 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 30, 2009 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*BDO Seidman, LLP*

October 30, 2009

# The Harbor Science and Arts Charter School

## Statements of Financial Position

<i>June 30,</i>	2009	2008
<b>Assets</b>		
Cash	\$171,218	\$ 39,480
Accounts receivable	167,807	106,910
Fixed assets, net (Note 5)	30,526	46,839
	<b>\$369,551</b>	<b>\$ 193,229</b>
<b>Liabilities and Net Assets (Deficit)</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 35,404	\$ 16,283
Due to related party (Note 4)	66,706	142,296
Accrued payroll and related liabilities	117,005	94,394
Reimbursement advances	-	14,462
Deferred revenue (Note 6)	-	64,229
<b>Total liabilities</b>	<b>219,115</b>	<b>331,664</b>
<b>Unrestricted net assets (deficit) (Note 2)</b>	<b>150,436</b>	<b>(138,435)</b>
	<b>\$369,551</b>	<b>\$ 193,229</b>

*See accompanying notes to financial statements.*

# The Harbor Science and Arts Charter School

## Statements of Activities (unrestricted)

<i>Year ended June 30,</i>	<b>2009</b>	<b>2008</b>
<b>Support and revenue:</b>		
Revenue from public school district	\$2,778,928	\$2,321,366
Government grant revenue	240,117	210,006
Foundation and corporate contributions	74,174	98,891
Other income	64,229	-
<b>Total support and revenue</b>	<b>3,157,448</b>	<b>2,630,263</b>
<b>Expenses:</b>		
Program services:		
Salaries	1,852,039	1,651,613
Fringe benefits and payroll taxes	391,731	383,674
Rent and utilities	124,996	99,996
Program supplies	84,893	83,414
Food	91,194	104,401
Repairs and maintenance	7,228	5,276
Insurance	12,495	15,000
Housekeeping supplies	6,346	2,798
Transportation services	6,668	7,068
Professional fees	133,895	156,769
Equipment rental	20,274	17,120
Telephone	7,864	5,043
Stipends	3,380	6,240
Office expense	13,865	14,543
Equipment expense	4,748	5,068
Advertising/seminars/workshops	1,954	1,917
Miscellaneous	12,273	10,303
Scholarships	1,500	-
	<b>2,777,343</b>	<b>2,570,243</b>
Management and general:		
Administrative services	48,000	48,000
Accounting and audit fees	25,500	25,000
Depreciation expense	17,734	18,519
	<b>91,234</b>	<b>91,519</b>
<b>Total expenses</b>	<b>2,868,577</b>	<b>2,661,762</b>
<b>Excess (deficiency) of support and revenue over expenses</b>	<b>288,871</b>	<b>(31,499)</b>
<b>Net asset deficit, beginning of year</b>	<b>(138,435)</b>	<b>(106,936)</b>
<b>Net assets (deficit), end of year</b>	<b>\$ 150,436</b>	<b>\$ (138,435)</b>

*See accompanying notes to financial statements.*



# The Harbor Science and Arts Charter School

## Statements of Cash Flows

<i>Year ended June 30,</i>	2009	2008
<b>Cash flows from operating activities:</b>		
Excess (deficiency) of support and revenue over expenses	\$288,871	\$ (31,499)
Adjustments to reconcile excess (deficiency) of support and revenue over expenses to net cash provided by operating activities:		
Depreciation	17,734	18,519
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(60,897)	4,119
Increase (decrease) in:		
Accounts payable	19,121	11,962
Accrued payroll and related liabilities	22,611	7,058
Due to related party	(75,590)	55,651
Reimbursement advances	(14,462)	(17,351)
Deferred revenue	(64,229)	-
<b>Net cash provided by operating activities</b>	<b>133,159</b>	<b>48,459</b>
<b>Cash flows from investing activities:</b>		
Purchases of fixed assets	(1,421)	(13,105)
<b>Net increase in cash</b>	<b>131,738</b>	<b>35,354</b>
<b>Cash, beginning of year</b>	<b>39,480</b>	<b>4,126</b>
<b>Cash, end of year</b>	<b>\$171,218</b>	<b>\$ 39,480</b>

*See accompanying notes to financial statements.*

# The Harbor Science and Arts Charter School

## Notes to Financial Statements

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1. **Nature of Organization**

The Harbor Science and Arts Charter School (the "School") is a non-profit organization formed in 2000 to operate a charter school pursuant to Article 56 of the Education Law. The School is committed to creating an environment where students and adults are engaged in the learning process and work cooperatively on "real world" problems.
2. **Summary of Significant Accounting Policies**
  - (a) *General*

The financial statements have been prepared on an accrual basis. In the statement of financial position, assets are presented in order of liquidity or conversion to cash and liabilities are presented according to their maturity resulting in the use of cash.
  - (b) *Financial Statement Presentation*

The classification of an organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

The classes of net assets are defined as follows:

**Permanently Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School.

**Temporarily Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When

# The Harbor Science and Arts Charter School

## Notes to Financial Statements

such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

**Unrestricted** - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) *Property and Equipment*

Property and equipment are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets for financial reporting as follows:

Equipment	3-5 years
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(d) *Third-party Reimbursement and Revenue Recognition*

The School receives substantially all its revenue for services provided to approved participants from third-party reimbursement agencies, primarily the Board of Education of the City of New York. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary.

(e) *Contributions and Promises to Give*

Contributions and promises to give are recorded as revenue when either unsolicited cash is received or when donors make a promise to give. Contributions and promises to give are classified as either unrestricted, temporarily restricted, or permanently restricted support.

Contributions of property and equipment are recorded at the fair market value of the property and equipment at the time of contribution.

# The Harbor Science and Arts Charter School

## Notes to Financial Statements

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(f) *Income Taxes*

The School is a charitable organization that is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the School has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for 2009 and 2008.

(g) *Use of Estimates*

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(h) *Concentration of Credit Risk*

Financial instruments which potentially subject the School to concentration of credit risk consist primarily of cash and cash equivalents. At various times, the School has cash deposits at financial institutions, which exceed the FDIC insurance limits.

(i) *Recently Issued Accounting Pronouncement*

*Accounting for Uncertainty in Income Taxes*

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). Under FIN 48, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained upon examination by a taxing authority. The School adopted the provisions of FIN 48 on July 1, 2008. The implementation of FIN 48 had no impact on the School's

# The Harbor Science and Arts Charter School

## Notes to Financial Statements

financial statements. The School does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The School has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the School has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. No interest or penalty was accrued as of July 1, 2008 as a result of the adoption of FIN 48. For the year ended June 30, 2009, there was no interest or penalties recorded or included in the statements of activities.

3. Expenditures Per Pupil	<i>Year ended June 30,</i>		2009	2008
	Total direct expenditures		\$2,777,343	\$2,570,243
	Total full-time equivalent school enrollment		212	210
	Expenditures per pupil		\$ 13,101	\$ 12,239

4. **Related Party** Boys & Girls Harbor, Inc. ("Harbor") (a) provides certain enumerated services for which it is reimbursed by the School at a negotiated rate, and (b) pays certain enumerated expenses incurred by both the Harbor and the School under one account, for which it is reimbursed by the School at cost. The Harbor Executive Director serves on the board of the School. The services provided and expenses paid by the Harbor, subject to reimbursement, include accounting, development, human resources, technology and insurance, as well as the use of classrooms and office space leased to the Harbor. During the year ended June 30, 2009, the School was invoiced for approximately \$637,000 for these services and had reimbursed the Harbor for approximately \$713,000. The amount due to the Harbor at June 30, 2009 and 2008 was \$66,706 and \$142,296, respectively.

# The Harbor Science and Arts Charter School

## Notes to Financial Statements

5. **Fixed Assets, Net** Fixed assets, stated at cost, consist of the following:

<i>June 30,</i>	<b>2009</b>	<b>2008</b>
Computer equipment	\$ 77,345	\$ 77,345
Books	17,090	17,090
Furniture and fixtures	29,513	28,091
Machinery and equipment	1,400	1,400
Accumulated depreciation	(94,822)	(77,087)
Fixed assets, net	<b>\$ 30,526</b>	<b>\$ 46,839</b>

6. **Deferred Revenue** This amount represents a grant received from government agency for construction of new facilities. In 2004, the School received verbal notification from the granting agency approving the usage of these funds for the feasibility study. The remainder of the funds was recognized as income in the year ended June 30, 2009 having no restrictions or obligations as to the use of the funds
7. **Subsequent Events** The School's management has performed subsequent events procedures through October 30, 2009 which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

**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  
The Harbor Science and Arts Charter School

We have audited the financial statements of The Harbor Science and Arts Charter School (the "School") as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated October 30, 2009. 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 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 control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

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 School'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 the 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 audit committee, others within the School, the Charter Schools Institute of the State University 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. However, this report is a matter of public record and its distribution is not limited.

*BDO Seidman, LLP*

Certified Public Accountants

New York, New York

October 30, 2009