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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
AND
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
JOHN A. CIMINO, CPA, OF COUNSEL

September 25, 2009

The Board of Trustees
Henry Johnson Charter School
Albany, NY 12206

We have audited the financial statements of Henry Johnson Charter School for the year ended June 30, 2009 and have issued our report thereon dated August 12, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 25, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters during June 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Henry Johnson Charter School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements for June 30, 2009.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following misstatements detected as a result of audit procedures were corrected by management:

- Prepaid Expenses
- Fixed Assets/Depreciation
- Accrued Payroll
- In-Kind Revenue – Building Rent

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 21, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. At the conclusion of our audit, we presented management with our concluding comments on areas/issues where potential improvement can be made.

This information is intended solely for the use of the Board of Directors and management of Henry Johnson Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Cusack & Company CPA's LLC

Cusack & Company CPA's LLC

HENRY JOHNSON CHARTER SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2009

HENRY JOHNSON CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Henry Johnson Charter School

We have audited the accompanying statement of financial position of Henry Johnson Charter School as of June 30, 2009 and the related statement of activities and change in net assets, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of Henry Johnson Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Henry Johnson Charter School as of June 30, 2009, and the change in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2009 on our consideration of Henry Johnson Charter 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.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
August 12, 2009

HENRY JOHNSON CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS

Current Assets

Cash	\$ 457,535
Grants Receivable	42,762
Prepaid Expenses	<u>5,270</u>

Total Current Assets 505,567

Property and Equipment - Net 195,909

Total Assets \$ 701,476

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable \$ 43,818

Long-Term Liabilities

Compensated Absences 11,986

Total Liabilities 55,804

Net Assets

Unrestricted 645,672

Total Liabilities and Net Assets \$ 701,476

HENRY JOHNSON CHARTER SCHOOL
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other Support:			
Revenue - Student Enrollment	\$ 2,249,806	\$ -	\$ 2,249,806
Revenue - Students with Disabilities	50,647	-	50,647
State Grants	4,767	-	4,767
Federal Grants	284,950	-	284,950
Foundation Grants	500	-	500
Other Income	12,907	-	12,907
In-Kind Revenue	190,526	-	190,526
Net Assets Released from Restrictions	<u>62,988</u>	<u>(62,988)</u>	<u>-</u>
 Total Revenue and Other Support	 <u>2,857,091</u>	 <u>(62,988)</u>	 <u>2,794,103</u>
Expenses:			
Program Expenses:			
Regular Education	2,052,982	-	2,052,982
Special Education	<u>114,653</u>	<u>-</u>	<u>114,653</u>
Total Program Expenses	2,167,635	-	2,167,635
Supporting Service:			
Management and General	<u>486,054</u>	<u>-</u>	<u>486,054</u>
Total Expenses	<u>2,653,689</u>	<u>-</u>	<u>2,653,689</u>
Increase (Decrease) in Net Assets	203,402	(62,988)	140,414
Net Assets, Beginning of Period, as Restated	<u>442,270</u>	<u>62,988</u>	<u>505,258</u>
Net Assets, End of Period	<u>\$ 645,672</u>	<u>\$ -</u>	<u>\$ 645,672</u>

HENRY JOHNSON CHARTER SCHOOL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

Cash Flows Provided by Operating Activities:

Increase in Net Assets \$ 140,414

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

Depreciation 37,682

Changes in Operating Assets and Liabilities

Decrease (Increase) in Assets

Grants Receivable 9,254

Prepaid Expense 5,194

(Decrease) Increase in Liabilities

Accounts Payable 6,893

Accrued Payroll and Payroll Taxes (30,700)

Compensated Absences 3,508

Net Cash Provided by Operating Activities 172,245

Cash Flows Used in Investing Activities

Purchase of Property and Equipment (18,124)

Net Increase in Cash and Cash Equivalents 154,121

Cash and Cash Equivalents, Beginning of Period 303,414

Cash and Cash Equivalents, End of Period \$ 457,535

HENRY JOHNSON CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Program Services</u>		<u>Supporting</u>	<u>Total</u>
	<u>Regular</u>	<u>Special</u>	<u>Management</u>	
	<u>Education</u>	<u>Education</u>	<u>and General</u>	
Salaries	\$ 901,366	\$ 50,327	\$ 252,982	\$ 1,204,675
Benefits and Payroll Taxes	167,122	9,335	46,906	223,363
Contracted Services	17,596	983	-	18,579
Educational Materials	39,741	2,220	-	41,961
Food (Breakfast, Lunch, Snack)	119,936	6,699	-	126,635
Insurance	16,130	901	4,527	21,558
Legal and Professional	18,683	1,044	5,244	24,971
Maintenance and Repairs	65,053	3,634	18,259	86,946
Marketing and Recruitment	23,341	1,304	6,551	31,196
Postage and Delivery	2,036	114	572	2,722
Printing/Copying	7,152	400	2,008	9,560
Professional Development	17,247	963	-	18,210
Rent	418,997	23,403	117,600	560,000
Supplies and Materials	26,045	1,455	7,310	34,810
Telephone/Internet	7,448	416	2,091	9,955
Textbooks	39,260	2,193	-	41,453
Transportation (Student)	69,577	3,886	-	73,463
Travel (General)	4,011	224	1,126	5,361
Uniforms	17,853	997	-	18,850
Utilities	46,194	2,580	12,965	61,739
Depreciation	<u>28,194</u>	<u>1,575</u>	<u>7,913</u>	<u>37,682</u>
Total Expenses	<u>\$ 2,052,982</u>	<u>\$ 114,653</u>	<u>\$ 486,054</u>	<u>\$ 2,653,689</u>

1. ORGANIZATION AND PURPOSE

Organization

Henry Johnson Charter School (the "School") is a New York not-for-profit organization that works to ensure that all students reach the highest levels of scholastic achievement in an environment that instills character, virtue, and "habits of mind" that ensure success both within and outside the classroom: diligence, courage, respect, self-reliance, duty, and responsibility.

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 on the accrual basis of accounting.

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.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Donated Services and Goods

No amounts have been reflected in the financial statements for donated services. The School pays for services requiring specific expertise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and Grants Receivable

The School utilizes the allowance method to determine the allowance for doubtful accounts. At June 30, 2009 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 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

At June 30, 2009 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.

3. PROPERTY AND EQUIPMENT

Property and equipment are reflected at historical cost, net of related depreciation, and are comprised of the following at June 30, 2009, respectively.

Furniture/Fixtures	\$ 130,485
Equipment	<u>128,960</u>
Total at Cost	259,445
Less: Accumulated Depreciation	<u>63,536</u>
	<u><u>\$ 195,909</u></u>

Depreciation expense was \$37,682 for the year then ended June 30, 2009.

4. RENTAL OF FACILITY

The School currently leases facilities from the Brighter Choice Foundation. Net occupancy costs of the lease for the year then ended June 30, 2009 was approximately \$370,000 after factoring in rent assistance from the Foundation in the amount of approximately \$190,000, which has been recorded as in-kind revenue in the Statement of Activities. Gross occupancy costs for the year ending June 30, 2010 are estimated at \$560,000, and at present time, no rental assistance has been pledged to the School for future years.

5. RETIREMENT PLAN

The School has adopted a SIMPLE IRA retirement plan covering all eligible employees. The School contributes a matching contribution to each eligible employee's SIMPLE IRA at the rate of 1% of the employee's gross compensation for the calendar year. The School's retirement plan expense for the year then ended June 30, 2009 was approximately \$7,500.

6. CONCENTRATION OF RISK

The School receives a majority of its funding from the residing school districts of each student. Any change in law which governs charter schools could put the School at risk should the districts' requirement to fund charter schools be reduced.

The School does occasionally maintain deposits in excess of federal insured limits. Statement of Financial Accounting Standards No. 105 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.

7. RESTATEMENT OF UNRESTRICTED NET ASSETS

Unrestricted net assets as of July 1, 2008 have been increased to correct the financial statements for the following activity:

Over Statement of Accumulated Depreciation	\$ 22,410
Net Assets, Beginning of Year	<u>419,860</u>
Net Assets, Beginning of Year, as Restated	<u>\$ 442,270</u>

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees
Henry Johnson Charter School
Albany, New York

We have audited the financial statements of Henry Johnson Charter School as of and for the year ended June 30, 2009, and have issued our report thereon dated August 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit 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 Henry Johnson Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 Henry Johnson 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, 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.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
August 12, 2009