

**GRAND CONCOURSE ACADEMY
CHARTER SCHOOL**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2009

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Grand Concourse Academy Charter School

We have audited the accompanying statement of financial position of Grand Concourse Academy Charter School as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for year 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 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 present fairly, in all material respects, the financial position of Grand Concourse Academy Charter School as of June 30, 2009, and the results of its operations and its 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 October 22, 2009 on our consideration of Grand Concourse Academy Charter School's 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 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.

Koch Group & Company, LLP

Certified Public Accountants

New York, New York
October 22, 2009

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009

ASSETS

CURRENT ASSETS

Cash	\$ 342,947
Due from government agencies	224,510
Prepaid expenses	37,315
Security deposits	<u>68,082</u>

Total Current Assets 672,854

FIXED ASSETS, at cost, less accumulated depreciation 644,873

Total Assets \$ 1,317,727

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 5,408
Accrued expenses	<u>465,243</u>

Total Liabilities 470,651

NET ASSETS - UNRESTRICTED 847,076

Total Liabilities and Net Assets \$ 1,317,727

See notes to financial statements.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

UNRESTRICTED NET ASSETS

PUBLIC SUPPORT AND REVENUE

Resident student enrollment	\$ 4,704,375
Food subsidy	147,038
Government funding	356,555
Interest income	2,512
Other income	<u>57,735</u>
Total Public Support and Revenue	<u>5,268,215</u>

EXPENSES

Program Expenses	
Regular education	4,510,581
Supporting Services	
Management and general	<u>511,090</u>
Total Expenses	<u>5,021,671</u>

CHANGE IN NET ASSETS

246,544

NET ASSETS

Beginning of year	<u>600,532</u>
End of year	<u>\$ 847,076</u>

See notes to financial statements.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2009

	Regular Education	Management & General	Total
<u>Personnel Expenses</u>			
Salaries and wages	\$ 2,499,234	\$ -	\$ 2,499,234
Payroll taxes	201,833		201,833
Fringe benefits	338,290		338,290
 Total Personnel Expenses	 <u>3,039,357</u>	 <u>-</u>	 <u>3,039,357</u>
<u>Operating Expenses</u>			
Contracted services - financial and administrative	-	500,000	500,000
Contracted services - other	67,499		67,499
Food	157,589		157,589
Insurance	32,457		32,457
Supplies and materials	87,476		87,476
Textbooks	89,427		89,427
Postage and shipping	4,932		4,932
Advertising	2,359		2,359
Repairs	40,644		40,644
Maintenance and security	127,301		127,301
Legal and professional	-	11,090	11,090
Administrative	11,285		11,285
Payroll service fee	4,214		4,214
Staff development	51,831		51,831
Student testing	1,730		1,730
Occupancy	434,066		434,066
Utilities	62,845		62,845
Telephone	36,695		36,695
Depreciation	249,428		249,428
Other expenses	9,446		9,446
 Total Operating Expenses	 <u>1,471,224</u>	 <u>511,090</u>	 <u>1,982,314</u>
 TOTAL EXPENSES	 <u>\$ 4,510,581</u>	 <u>\$ 511,090</u>	 <u>\$ 5,021,671</u>

See notes to financial statements.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	\$ 246,544
Increase in Net Assets	
ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	249,428
Depreciation	13,083
Changes in Assets and Liabilities	25,643
Due from government agencies	(168,232)
Prepaid expenses	(30,719)
Due to management company	(48,143)
Unearned income	169,358
Accounts payable	
Accrued expenses	
	<u>456,962</u>
Net Cash Provided by Operating Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	<u>(147,555)</u>
Acquisition of fixed assets	
	<u>(147,555)</u>
Net Cash Used in Investing Activities	
NET INCREASE IN CASH AND CASH EQUIVALENTS	309,407
CASH AND CASH EQUIVALENTS	
Beginning of year	<u>33,540</u>
End of year	<u>\$ 342,947</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash Paid for Interest	<u>\$ -</u>

See notes to financial statements.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

1. Organization

Grand Concourse Academy Charter School ("The School"), a 501 (c) 3 tax-exempt organization, is a public charter school for children in grades kindergarten through fifth grade located in The Bronx, New York. The goal of the School, which was chartered in May 2004, is to offer students a high quality public education on a nondiscriminatory and secular basis.

2. Summary of Significant Accounting Policies

a) Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

b) Financial Statement Presentation

The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Furthermore, information is required to segregate program service expenses from support expenses.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

c) Donated Services

No amounts are reflected in the financial statements for donated services, as the services do not meet the specialized skill requirements prescribed under accounting principles generally accepted in the United States of America.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

2. Summary of Significant Accounting Policies (Continued)

d) Functional Allocation of Expenses

Costs and expenses of various programs and other activities have been analyzed on a functional basis. Accordingly, all costs and expenses incurred have been allocated among the programs and supporting services benefited.

e) Leasehold Improvements and Equipment

Leasehold improvements and equipment are being depreciated using the straight-line method based on their estimated useful lives.

f) Cash and cash equivalents

The School maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The School believes it is not exposed to significant credit risk on cash and equivalents.

For purposes of the statement of cash flows, the School considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

3. Pupil Enrollment and Other Revenues From Government Agencies

Under the Charter School Agreement and the Charter Schools Act, the School is entitled to receive funding from governmental sources that are available to public schools. The calculation of the amounts to be paid to the School under these programs is determined by the State, and is based on complex laws and regulations, enrollment levels, and economic information related to the home school districts of the children enrolled in the School. If these regulations, some of which are relatively new in the State of New York, were to change, or other factors included in the calculations were to change, the level of funding that the School received could vary significantly.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

3. Pupil Enrollment and Other Revenues From Government Agencies (Continued)

The amounts are based upon actual amounts received as well as estimates by the management based upon the best information available at the time. However, actual amounts received, as determined by the funding source, could vary based on changes in the factors used to calculate the amounts owed.

In addition the school received government funding and grants as follows:

Federal	\$299,800
New York State	20,055
Student with Disabilities	<u>36,700</u>
	<u>\$356,555</u>

4. Fixed Assets

At June 30, 2009, fixed assets consisted of the following:

		Estimated Useful Life
Leasehold improvements	\$ 721,557	5 years
Construction in progress	39,921	-
Furniture, fixtures	207,431	7 years
Computer equipment	233,663	5 years
Office equipment	<u>85,409</u>	5-7 years
	1,287,981	
Less: Accumulated depreciation	<u>(643,108)</u>	
Total	<u>\$ 644,873</u>	

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of amounts due to vendors and for payroll earned by the staff during the school year but paid out over the summer months.

6. Defined Contribution Plan

The School offers a 401(k) plan for substantially all of its employees. Employees are eligible for the plan immediately upon employment and participation in the plan is voluntary. Employees can make pretax contributions up to a maximum of 100% of their annual compensation, subject to IRS restrictions. The School matches the employee contribution up to 4% of the employee's annual compensation. The employer contribution recognized in the statement of activities was \$53,741 for the year ended June 30, 2009. Such plan assets are held in a separate trust and are not included in the accompanying financial statements. All plan assets are held for the exclusive benefit of the Plans' participants and beneficiaries.

7. Commitments

The School is a lessee under operating leases, principally for space and utilities used for classroom instruction and administration activities, expiring through 2012.

Future minimum lease payments are as follows:

2010	126,721
2011	102,528
2012	98,274

8. Management

The School had entered into an agreement with Victory School, Inc. ("Victory") to provide financial and certain administrative services expiring June 30, 2009. The service fee for the year was \$500,000. As of June 30, 2009, the board of the school did not renew the service agreement with Victory.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

9. Contingency

The School participates in a number of federal and state programs. These programs require that the School comply with certain requirements of laws, regulations, contracts, and agreements applicable to the programs in which it participates. All funds expended in connection with government grants and contracts are subject to audit by government agencies. While the ultimate liability, if any, from such audits of government and contracts by government agencies is presently not determinable, it should not, in the opinion of the management, have a material effect on the financial position or results of operations. Accordingly, no provision for any such liability that may result has been made in the accompanying financial statements.



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**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
Grand Concourse Academy Charter School

We have audited the financial statements of Grand Concourse Academy Charter School as of and for the year ended June 30, 2009, and have issued a report thereon dated October 22, 2009. 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 Grand Concourse Academy 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 Grand Concourse Academy Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Grand Concourse Academy Charter 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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity'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 Grand Concourse Academy 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 audit committee, other within the entity, and the Department of Housing and is not intended to be and should not be used by anyone other than these specified parties.

Koch Group & Company, LLP
Certified Public Accountants

New York, New York
October 22, 2009