

McGladrey & Pullen

Certified Public Accountants

Community Partnership Charter School

Financial Report

June 30, 2009

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Trustees
Community Partnership Charter School
Brooklyn, New York

We have audited the accompanying statements of financial position of Community Partnership Charter School as of June 30, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Community Partnership 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 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 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 Community Partnership 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 22, 2009 on our consideration of Community Partnership 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.

McGladrey & Pullen, LLP

New York, New York
October 22, 2009

Community Partnership Charter School

Statements of Financial Position June 30, 2009 and 2008

	2009	2008
ASSETS		
Cash	\$ 262,008	\$ 675,320
Grants and Pledges Receivable	147,772	143,518
Interest Receivable	5,534	15,829
Investments	2,213,581	1,227,404
Property and Equipment, net	51,461	66,078
Total assets	\$ 2,680,356	\$ 2,128,149
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 485,793	\$ 423,695
Refundable advance	28,618	-
Due to Beginning with Children Foundation	699	113
Total liabilities	515,110	423,808
Contingency		
Net Assets:		
Unrestricted:		
Board-designated for facility and personnel costs	1,200,000	1,200,000
Other	965,246	500,085
Temporarily restricted	-	4,256
Total net assets	2,165,246	1,704,341
Total liabilities and net assets	\$ 2,680,356	\$ 2,128,149

See Notes to Financial Statements.

Community Partnership Charter School

Statements of Activities
Years Ended June 30, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Revenue:						
State and local per pupil operating revenue	\$ 3,802,055	\$ -	\$ 3,802,055	\$ 3,340,476	\$ -	\$ 3,340,476
Government grants	206,963	-	206,963	187,570	-	187,570
Other revenue	5,286	-	5,286	3,987	-	3,987
Total support and revenue	4,014,304	-	4,014,304	3,532,033	-	3,532,033
Expenses:						
Program services	3,298,306	-	3,298,306	2,912,289	-	2,912,289
Management and general	397,979	-	397,979	343,726	-	343,726
Development	26,210	-	26,210	36,735	-	36,735
Total operating expenses	3,722,495	-	3,722,495	3,292,750	-	3,292,750
Surplus on government funded school operations	291,809	-	291,809	239,283	-	239,283
Contributions and Grants	115,271	-	115,271	108,476	4,256	112,732
Interest Income	53,825	-	53,825	69,296	-	69,296
Net Assets Released From Restrictions	4,256	(4,256)	-	80,000	(80,000)	-
Change in net assets	465,161	(4,256)	460,905	497,055	(75,744)	421,311
Net Assets:						
Beginning	1,700,085	4,256	1,704,341	1,203,030	80,000	1,283,030
Ending	\$ 2,165,246	\$ -	\$ 2,165,246	\$ 1,700,085	\$ 4,256	\$ 1,704,341

See Notes to Financial Statements.

Community Partnership Charter School

Statement of Functional Expenses Year Ended June 30, 2009

	Program Services	Management and General	Development	Total
Personnel services	\$ 2,268,961	\$ 125,564	\$ -	\$ 2,394,525
Employee benefits and payroll taxes	507,829	28,103	-	535,932
Occupancy	55,234	9,102	-	64,336
Consultants	10,875	-	-	10,875
Classroom instructional supplies	72,566	-	-	72,566
Textbooks and library books	58,692	-	-	58,692
Erate consultant	6,000	-	-	6,000
Curriculum and staff development	48,319	-	-	48,319
Outreach	3,225	-	-	3,225
Trips and admissions	12,765	-	-	12,765
Research and evaluation	14,386	-	-	14,386
After- and summer school programs	144,975	-	-	144,975
Management fees	52,421	183,473	26,210	262,104
Accounting and legal fees	-	16,220	-	16,220
Office and technology supplies	-	18,409	-	18,409
Telephone	-	9,607	-	9,607
Postage and shipping	-	3,703	-	3,703
Miscellaneous	20,151	3,798	-	23,949
Depreciation	21,907	-	-	21,907
	<u>\$ 3,298,306</u>	<u>\$ 397,979</u>	<u>\$ 26,210</u>	<u>\$ 3,722,495</u>

See Notes to Financial Statements.

Community Partnership Charter School

Statement of Functional Expenses Year Ended June 30, 2008

	Program Services	Management and General	Development	Total
Personnel services	\$ 2,039,671	\$ 120,240	\$ -	\$ 2,159,911
Employee benefits and payroll taxes	418,160	24,651	-	442,811
Occupancy	58,889	8,958	-	67,847
Technology consulting	2,400			2,400
Classroom instructional supplies	49,797	-	-	49,797
Textbooks and library books	98,117	-	-	98,117
Erate consultant	8,000	-	-	8,000
Curriculum and staff development	52,623	-	-	52,623
Outreach	1,658	-	-	1,658
Trips and admissions	14,675	-	-	14,675
Research and evaluation	47,745	-	-	47,745
Special needs	12,646	-	-	12,646
After-school and substitutes	49,273			49,273
Business services	-	103,316	-	103,316
Development	-	-	36,735	36,735
Technology services	-	27,149	-	27,149
Accounting and legal fees	-	35,276	-	35,276
Office and technology supplies	-	14,786	-	14,786
Telephone	-	4,173	-	4,173
Postage and shipping	-	2,541	-	2,541
Miscellaneous	26,434	2,636	-	29,070
Depreciation	32,201	-	-	32,201
	<u>\$ 2,912,289</u>	<u>\$ 343,726</u>	<u>\$ 36,735</u>	<u>\$ 3,292,750</u>

See Notes to Financial Statements

Community Partnership Charter School

Statements of Cash Flows

Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities:		
Change in net assets	\$ 460,905	\$ 421,311
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,907	32,201
Changes in operating assets and liabilities:		
Increase in grants and pledges receivable	(4,254)	(9,322)
Decrease (increase) in interest receivable	10,295	(5,288)
Increase (decrease) in due to Beginning with Children Foundation	586	(454)
Increase in accounts payable and accrued expenses	62,098	49,340
Increase in refundable advance	28,618	-
Net cash provided by operating activities	580,155	487,788
Cash Flows From Investing Activities:		
Purchases of property and equipment	(7,290)	(5,334)
Purchase of investments	(1,813,581)	(827,404)
Proceeds from sale of investments	827,404	-
Net cash used in investing activities	(993,467)	(832,738)
Net decrease in cash	(413,312)	(344,950)
Cash:		
Beginning	675,320	1,020,270
Ending	<u>\$ 262,008</u>	<u>\$ 675,320</u>
Supplemental Information:		
Purchase of property and equipment included in accounts payable	<u>\$ -</u>	<u>\$ 44,034</u>

See Notes to Financial Statements.

Community Partnership Charter School

Notes to Financial Statements

Note 1. Principal Business Activity and Summary of Significant Accounting Policies

Community Partnership Charter School (the "School") is an education corporation that operates as a charter school in the borough of Brooklyn, New York City. On April 4, 2000, the Board of Regents of the University of the State of New York granted the School a provisional charter valid for a term of five years and renewable upon expiration. The Board of Trustees of the State University of New York and the School entered into a Second Renewal Charter Agreement on March 31, 2005 that expired on July 31, 2007. A five-year renewal was granted on January 11, 2007. The School's mission statement is as follows: At the Community Partnership Charter School, families, educators and community members join to create a learning environment that fosters high academic achievement that exceeds the New York State Learning Standards. An enriched curriculum and dynamic partnerships between the School, families and community enable all students to become life-long learners and active citizens who value kindness and respect.

The New York City Department of Education (the "NYCDOE") provides free and reduced-price lunches and transportation directly to a majority of the School's students.

The financial statements of the School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

The financial statements of the School reflect contributions received from the public and other organizations.

The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The School reports amounts received with donor stipulations that limit the use of the assets for certain purposes as unrestricted net assets if the stipulated purpose restriction is accomplished in the same year. The School reports contributions of cash and other assets, including unconditional promises to give, as restricted support and revenue if they are received with donor stipulations that limit the use of the donated assets.

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and state funds are recorded by the School when expenditures are incurred and billable.

Revenue from other government grants to which the School is entitled is recognized mostly on student enrollment. Some grants are provided for specific educational endeavors which are not based on student enrollment and are recorded when related expenditures are incurred by the School.

Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets or would have been purchased if not provided by donation, require special skills and are provided by individuals possessing such skills. A number of volunteers have made a contribution of their time to the School to develop academic and other programs and to serve on the board of trustees. The value of this contributed time is not reflected in the financial statements as such services either do not require specialized skills or would not typically be purchased had they not been provided as donations.

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.

Community Partnership Charter School

Notes to Financial Statements

Note 1. Principal Business Activity and Summary of Significant Accounting Policies (Continued)

Investments are stated at cost plus accrued interest which approximates the fair value which is 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.

Property and equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The School capitalizes all purchases of property and equipment in excess of \$1,000.

Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired. Board-designated net assets were established by the board of trustees to provide a fiscally prudent reserve for unforeseen facility and personnel costs. Temporarily restricted net assets are restricted by donors for a specific purpose or for specified time periods beyond the current fiscal year.

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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Financial Accounting Standards Board (the "FASB") has issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken on a tax return including positions that an organization is exempt from income taxes or not subject to income taxes on unrelated business income. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The School presently recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, *Accounting for Contingencies*.

The School has elected to defer the application of FIN 48 in accordance with FASB Staff Position ("FSP") FIN 48-3. This FSP defers the effective date of FIN 48 for nonpublic enterprises included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008. The School will be required to adopt FIN 48 in its 2010 annual financial statements. The provisions of FIN 48 are to be applied to all tax positions upon initial application of this standard. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption.

The cumulative effect of applying the provisions of FIN 48 will be reported as an adjustment to the opening balance of net assets for the fiscal year of adoption. Management has evaluated the effects of FIN 48 and does not believe it has a material impact on the School's financial position and results of operations.

The School evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was October 22, 2009 for these financial statements.

Community Partnership Charter School

Notes to Financial Statements

Note 2. Related Party Transactions

The Beginning with Children Foundation (the "Foundation") is a not-for-profit organization dedicated to improving the educational opportunities of urban children through the creation of autonomous, high-performing public schools. The Foundation is a cofounder of the School.

As educational manager to charter schools during the fiscal year ended June 30, 2009, the Foundation entered into a Memorandum of Understanding ("MOU") agreement with the School. Pursuant to the terms of the MOU agreement, the School paid a service fee to the Foundation in the amount of \$262,104. The Foundation supported the School in the areas of leadership and strategy, curriculum and assessment, research and evaluation, business services, compliance, development, technology, communications, outreach and alumni program management.

For the year ended June 30, 2008, the MOU was based on a shared cost arrangement whereby the Foundation shared staff and consultants in the areas of school governance, fiscal management, development, technology and research. The School's allocable cost for these shared services was \$214,450. Amounts due to the Foundation from the School were \$699 and \$113 for the fiscal years ended June 30, 2009 and 2008, respectively. At June 30, 2009, the Foundation provided a library grant to the School in the amount of \$40,000.

Note 3. Investments

Pursuant to the provisions described in Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*, the School categorizes its financial instruments into a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation of assets and liabilities traded in less active dealer or broker markets that have significant observable inputs are classified as Level 2. Level 2 valuations are usually obtained from third-party pricing service valuations for identical or similar assets. If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

The School's investments at June 30, 2009 consist of certificates of deposit amounting to \$2,213,581, which are classified as Level 2 in the fair value hierarchy.

Note 4. Property and Equipment, Net

Property and equipment, net, at cost, consists of the following at June 30:

	2009	2008	Estimated Useful Life
Furniture and fixtures	\$ 105,449	\$ 149,395	3 to 7 years
Computer equipment	130,364	123,074	3 years
	<u>235,813</u>	<u>272,469</u>	
Less accumulated depreciation	<u>184,352</u>	<u>206,391</u>	
	<u>\$ 51,461</u>	<u>\$ 66,078</u>	

Community Partnership Charter School

Notes to Financial Statements

Note 5. Tax Status

The Internal Revenue Service has determined that the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code").

Note 6. Facilities

The School occupies space in a public school building owned by the NYCDOE located at 241 Emerson Place in Clinton Hill, Brooklyn. This facility has been made available at no charge to the School by the NYCDOE.

Note 7. Employee Benefit Plan

The School maintains a defined contribution plan under Section 401(k) of the Code covering all eligible employees. Under the plan, the School provides matching contributions. In addition, the School may elect on a discretionary basis to contribute a percentage of all qualified employees' compensation to the profit-sharing component of the plan. During 2009 and 2008, the amount charged to operations for contributions to the plan amounted to approximately \$31,000 and \$27,000, respectively.

Note 8. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions that are restricted for the subsequent year.

McGladrey & Pullen

Certified Public Accountants

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
Community Partnership Charter School
Brooklyn, New York

We have audited the financial statements of Community Partnership Charter School (the "School") as of and for the year ended June 30, 2009 and have issued our 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 the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide an opinion on the 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America 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.

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.

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 - 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, contract 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 the audit committee, management, 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.

McGladrey & Pullen, LLP

New York, New York
October 22, 2009