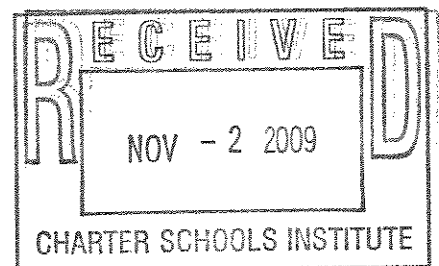


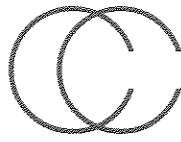
AMBER CHARTER SCHOOL
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
YEARS ENDED JUNE 30, 2009 AND 2008



AMBER CHARTER SCHOOL
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

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Citrin Cooperman & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Amber Charter School

We have audited the accompanying statements of financial position of Amber Charter School (a nonprofit organization) 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 Amber 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Amber Charter School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Amber 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.

As discussed in Note 2 to the financial statements, during the year ended June 30, 2009, the Organization adopted Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" and SFAS No. 165, "Subsequent Events."

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2009 on our consideration of Amber 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.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2009 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 2009 financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Citric Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

October 29, 2009

AMBER CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

| | 2009 | 2008 |
|---------------------------------|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 440,426 | \$ 937,733 |
| Certificate of deposit | 205,656 | - |
| Grants and contracts receivable | 189,378 | 146,784 |
| Prepaid expenses | 4,290 | 10,556 |
| Total current assets | 839,750 | 1,095,073 |
| Property and equipment, net | 4,280,515 | 4,150,612 |
| Other assets: | | |
| Operating and capital reserves | 326,282 | 326,282 |
| Deferred costs | 133,995 | 133,995 |
| Total other assets | 460,277 | 460,277 |
| TOTAL ASSETS | \$ 5,580,542 | \$ 5,705,962 |

LIABILITIES AND NET ASSETS

| | | |
|---|---------------------|---------------------|
| Current liabilities: | | |
| Current maturities of long-term debt | \$ 115,529 | \$ 108,818 |
| Note payable | 65,000 | - |
| Accounts payable and accrued expenses | 116,218 | 176,194 |
| Accrued payroll | 414,613 | 284,698 |
| Deferred revenue | - | 50,353 |
| Total current liabilities | 711,360 | 620,063 |
| Long-term debt, less current maturities | 2,456,472 | 2,571,520 |
| Total liabilities | 3,167,832 | 3,191,583 |
| Commitments and contingencies (Notes 4, 8, 9, and 14) | | |
| Net assets: | | |
| Unrestricted | 2,412,710 | 2,514,379 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 5,580,542 | \$ 5,705,962 |

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

| | 2009 | 2008 |
|---------------------------------------|--------------|--------------|
| Revenue and support: | | |
| Per-student funding | \$ 4,418,406 | \$ 4,081,942 |
| Government contracts and grants | 723,281 | 389,433 |
| Private grants and contributions | 61,068 | 154,248 |
| Fundraising | 53,037 | 17,635 |
| Rental income | 56,073 | 52,128 |
| Other income | 12,175 | 22,334 |
| Interest income | 12,285 | 229 |
| Total revenue and support | 5,336,325 | 4,717,949 |
| Expenses: | | |
| Program services: | | |
| Educational purposes | 4,925,595 | 3,942,884 |
| Management and general | 468,180 | 464,269 |
| Fundraising | 44,219 | - |
| Total expenses | 5,437,994 | 4,407,153 |
| Net increase (decrease) in net assets | (101,669) | 310,796 |
| Net assets - beginning | 2,514,379 | 2,203,583 |
| NET ASSETS - ENDING | \$ 2,412,710 | \$ 2,514,379 |

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|-------------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
| Personnel expense: | | | | |
| Salaries and wages | \$ 2,701,123 | \$ 320,644 | \$ - | \$ 3,021,767 |
| Payroll taxes and fringe benefits | <u>556,473</u> | <u>60,922</u> | <u>-</u> | <u>617,395</u> |
| Total personnel expense | 3,257,596 | 381,566 | - | 3,639,162 |
| Interest expense | 150,250 | 6,260 | - | 156,510 |
| Security | 15,046 | - | - | 15,046 |
| Utilities | 82,703 | - | - | 82,703 |
| Equipment rental and maintenance | 32,266 | 14,430 | - | 46,696 |
| Depreciation | 169,477 | 6,946 | - | 176,423 |
| Contract services | 39,089 | - | - | 39,089 |
| Insurance | 75,583 | - | - | 75,583 |
| Meals and entertainment | - | 15,019 | - | 15,019 |
| Travel | 48,276 | - | - | 48,276 |
| Dues and subscriptions | 5,855 | 382 | - | 6,237 |
| Professional fees | 90,791 | 2,710 | - | 93,501 |
| Office expenses | 33,290 | 10,465 | - | 43,755 |
| School supplies and textbooks | 195,400 | - | - | 195,400 |
| Child nutrition | 130,312 | - | - | 130,312 |
| Postage | 10,105 | - | - | 10,105 |
| Bank charges | 775 | - | - | 775 |
| Repairs and maintenance | 154,048 | 8,693 | - | 162,741 |
| Professional education and training | 195,318 | - | - | 195,318 |
| Conference costs | 17,200 | - | - | 17,200 |
| Outside services | 66,846 | - | - | 66,846 |
| Consulting expense | - | 20,000 | - | 20,000 |
| Telephone and internet | 47,129 | - | - | 47,129 |
| Fundraising event costs | - | - | 44,219 | 44,219 |
| License and permits | 16,705 | - | - | 16,705 |
| Payroll processing fees | 74,152 | - | - | 74,152 |
| Computer and internet services | 13,694 | - | - | 13,694 |
| Miscellaneous | <u>3,689</u> | <u>1,709</u> | <u>-</u> | <u>5,398</u> |
| TOTAL FUNCTIONAL EXPENSES | <u>\$ 4,925,595</u> | <u>\$ 468,180</u> | <u>\$ 44,219</u> | <u>\$ 5,437,994</u> |

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|-------------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
| Personnel expense: | | | | |
| Salaries and wages | \$ 1,926,465 | \$ 338,159 | \$ - | \$ 2,264,624 |
| Payroll taxes and fringe benefits | <u>409,499</u> | <u>64,250</u> | <u>-</u> | <u>473,749</u> |
| Total personnel expense | 2,335,964 | 402,409 | - | 2,738,373 |
| Interest expense | 151,920 | 11,435 | - | 163,355 |
| Security | 25,431 | - | - | 25,431 |
| Utilities | 121,610 | - | - | 121,610 |
| Equipment rental and maintenance | 37,236 | 12,170 | - | 49,406 |
| Depreciation | 169,044 | 12,515 | - | 181,559 |
| Contract services | 19,779 | - | - | 19,779 |
| Insurance | 76,432 | - | - | 76,432 |
| Meals and entertainment | - | 6,190 | - | 6,190 |
| Travel | 5,133 | - | - | 5,133 |
| Dues and subscriptions | 1,236 | 2,794 | - | 4,030 |
| Professional fees | 116,460 | 3,526 | - | 119,986 |
| Office expenses | 30,562 | 5,382 | - | 35,944 |
| School supplies and textbooks | 96,846 | - | - | 96,846 |
| Child nutrition | 129,035 | - | - | 129,035 |
| Postage | 7,917 | - | - | 7,917 |
| Bank charges | 2,000 | - | - | 2,000 |
| Repairs and maintenance | 135,119 | 7,248 | - | 142,367 |
| Professional education and training | 147,444 | - | - | 147,444 |
| Outside services | 216,838 | - | - | 216,838 |
| Telephone | 33,409 | - | - | 33,409 |
| License and permits | 13,477 | - | - | 13,477 |
| Computer and internet consulting | 10,001 | - | - | 10,001 |
| Payroll processing fees | 56,864 | - | - | 56,864 |
| Miscellaneous | <u>3,127</u> | <u>600</u> | <u>-</u> | <u>3,727</u> |
| TOTAL FUNCTIONAL EXPENSES | <u>\$ 3,942,884</u> | <u>\$ 464,269</u> | <u>\$ -</u> | <u>\$ 4,407,153</u> |

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

| | 2009 | 2008 |
|--|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Increase (decrease) in net assets | \$ (101,669) | \$ 310,796 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities: | | |
| Interest on certificate of deposit | (5,656) | - |
| Depreciation | 176,423 | 181,559 |
| Noncash contributions of equipment | - | (900) |
| Changes in operating assets and liabilities: | | |
| Grants and contracts receivable | (42,594) | 174,227 |
| Prepaid expenses | 6,266 | 7,725 |
| Accounts payable and accrued expenses | (59,976) | (16,053) |
| Accrued payroll | 129,915 | 12,506 |
| Deferred revenue | <u>(50,353)</u> | <u>50,353</u> |
| Net cash provided by operating activities | <u>52,356</u> | <u>720,213</u> |
| Cash flows from investing activities: | | |
| Purchase of certificate of deposit | (200,000) | - |
| Additions to property and equipment | <u>(306,326)</u> | <u>(54,709)</u> |
| Net cash used in investing activities | <u>(506,326)</u> | <u>(54,709)</u> |
| Cash flows from financing activities: | | |
| Drawdowns on note payable | 65,000 | - |
| Principal repayments of long-term debt | <u>(108,337)</u> | <u>(103,653)</u> |
| Net cash used in financing activities | <u>(43,337)</u> | <u>(103,653)</u> |
| Net increase (decrease) in cash | (497,307) | 561,851 |
| Cash - beginning | <u>937,733</u> | <u>375,882</u> |
| CASH - ENDING | <u>\$ 440,426</u> | <u>\$ 937,733</u> |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | <u>\$ 154,803</u> | <u>\$ 163,355</u> |

See accompanying notes to financial statements.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 - ORGANIZATION

Pursuant to Article 56 of the New York State Education Law by the Board of Regents of the University of the State of New York, Amber Charter School ("Amber") was incorporated on April 4, 2000, as a charter school valid for a term of five years. Charters are renewable every five years. Amber was successfully re-chartered in the spring of 2005 for an additional five years. Amber is a nonprofit, grade charter school located in the Upper Manhattan section of the City of New York, serving children in kindergarten through fifth grade. Founded by Community Association of Progressive Dominicans/Asociacion Comunal de Dominicanos Progresistas, Amber is the first charter school in New York City created by a community-based organization, and the first to develop an English/Spanish two-way immersion program. Amber's mission is to provide comprehensive learning experiences that will enable all of its students to become fully educated, creative adults, prepared to take leadership roles in New York City and in our global society. To fulfil this mission, Amber attempts to prepare each of its students with the ability to demonstrate proficiency and/or distinction in all New York State Learning Standards. Amber's funding is primarily from per-student funding provided by New York City; additionally Amber receives private grants and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

In the statements of activities, Amber distinguishes between contributions that increase permanently restricted net assets (subject to perpetual funding source imposed restrictions), temporarily restricted net assets (funding source-imposed restrictions have not been met) and unrestricted net assets (not subject to funding source-imposed restrictions or whose funding source-imposed restrictions have been met). As of June 30, 2009 and 2008, there were no temporarily or permanently restricted net assets.

Use of 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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash and purchased with original maturities of three months or less.

Certificate of Deposit

Certificates of deposit are reflected at cost plus accrued interest, which approximates fair value.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment, when purchased, are recorded at cost. Contributions of property and equipment are recorded at their estimated fair values at the date of contribution. Depreciation of equipment is calculated using the double declining balance method over the estimated useful lives of the assets. Maintenance and repairs are charged to operations when incurred. Expenditures that increase the value or significantly extend the lives of assets are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally promised and are reflected as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Grants are recognized as revenue when they are unconditionally awarded.

Donations-in-kind

Contributions of donated noncash assets are recorded at their fair values at the date received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Compensation expenses and certain other costs have been allocated by management between the programs and supporting services benefited.

Adoption of New Accounting Pronouncements

Effective July 1, 2008, Amber adopted the provisions of SFAS No. 157, "Fair Value Measurements." In accordance with Financial Accounting Standards Board Staff Position ("FSP") No. SFAS 157-2, "Effective Date of FASB Statement No. 157," Amber will delay application of SFAS No. 157 for non-financial assets and non-financial liabilities until July 1, 2009. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements.

Effective June 30, 2009, Amber adopted SFAS No. 165, "Subsequent Events", which requires disclosure of the date through which the entity has evaluated subsequent events and whether that date represents the date the combined financial statements were issued or were available to be issued.

NOTE 3 - TAX EXEMPT STATUS

Amber qualifies as a charitable organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from Federal income taxes. Amber is also exempt from New York State and New York City income taxes. Additionally, since Amber is a Section 509(a)(1) publicly supported organization, contributions made to Amber qualify for the maximum charitable contribution deduction under the Internal Revenue Code.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

Amber maintains cash balances with a financial institution in New York City which at various times during 2009 and 2008, were in excess of federal insurance limits. Amber has not experienced any losses in these accounts, and management does not believe Amber is exposed to any significant credit risk with respect to cash.

Revenue from The New York City Department of Education ("NYC") accounted for 83% and 87% of total revenue and support during the years ended June 30, 2009 and 2008, respectively. Federal grantor agencies accounted for 11% and 8% of total revenue and support during the years ended June 30, 2009 and 2008, respectively.

NYC accounted for 21% of total grants and contracts receivable at June 30, 2009. Federal grantor agencies accounted for 75% and 81% of total grants and contracts receivable at June 30, 2009 and 2008, respectively.

NOTE 5 - FAIR VALUE MEASUREMENT

Using the provisions within SFAS No. 157, Amber has characterized its investments in securities, based on the inputs used to value the investments, into a three-level fair value hierarchy. The fair value hierarchy gives the first order of liquidity to quoted prices in active markets for identical assets or liabilities [Level 1], and the last order of liquidity to unobservable inputs [Level 3]. If the inputs used to measure the investments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investment.

Investments recorded in the statements of financial position are categorized based on the inputs to valuation techniques as follows:

Level 1. Quoted prices (unadjusted) in an active market for identical assets or liabilities that the Amber have the ability to access at the measurement date. An active market for the asset or liability is a market in which the transaction for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2. Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted market prices in markets that are not active; or model-derived valuations or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3. Unobservable inputs for the asset or liability. These inputs reflect management's assumption about the assumptions a market participant would use in pricing the asset or liability.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

AMBER CHARTER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009 AND 2008

NOTE 5 - FAIR VALUE MEASUREMENT (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, Amber's assets at fair value, on a recurring basis, as of June 30, 2009:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---------------------------------|----------------|-------------------|----------------|-------------------|
| Money market account | \$ - | \$ 406,471 | \$ - | \$ 406,471 |
| Certificate of deposit | <u>-</u> | <u>205,656</u> | <u>-</u> | <u>205,656</u> |
| Total investments at fair value | <u>\$ -</u> | <u>\$ 612,127</u> | <u>\$ -</u> | <u>\$ 612,127</u> |

The following is a description of the valuation methodologies used for assets measured at fair value.

Money market funds are short-term instruments and are stated at cost, which approximates fair value.

Certificates of deposit are stated at cost plus accrued interest which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Amber believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 6 - CERTIFICATE OF DEPOSIT

In October 2008, Amber purchased a certificate of deposit with a major New York City bank. The certificate matures in November 2009 and bears interest at 4.259% per annum. As of June 30, 2009, the fair value of the certificate, including accrued interest, was \$205,656.

NOTE 7 - NOTE PAYABLE

In September 2005, Amber entered into a \$100,000 noncommitted credit line with a major New York City bank. The note which currently matures in January 2010, is renewable annually. Borrowings under the note bear interest at the prime rate plus 1% per annum (5.5% at June 30, 2009) and are personally guaranteed by a member of Amber's Board of Directors. As of June 30, 2009, the amount due under the note agreement was \$65,000.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 8 - LONG-TERM DEBT

Long-term debt consists of the following:

| | 2009 | 2008 |
|--|---------------------|---------------------|
| First mortgage payable to Raza Development Fund, Inc., ("Raza"), dated June 22, 2004. The loan is collateralized by Amber's real estate in the City of New York and guaranteed by ACDP. It is due in monthly installments of \$19,229, including interest at 6% per annum, with a balloon payment of approximately \$2,096,900 due at maturity on June 1, 2011. | \$ 2,289,059 | \$ 2,379,165 |
| Second mortgage payable to Local Initiatives Support Corporation, dated June 22, 2004. The loan is collateralized by Amber's real estate in the City of New York. This loan has been subordinated to the first mortgage from Raza described above. The loan is due in monthly installments of \$3,122 including interest at 6% per annum, with a balloon payment of approximately \$239,500 due at maturity on July 1, 2011. | <u>282,941</u> | <u>301,173</u> |
| | 2,572,000 | 2,680,338 |
| Less: current portion | <u>(115,528)</u> | <u>(108,818)</u> |
| Long-term debt, net of current portion | <u>\$ 2,456,472</u> | <u>\$ 2,571,520</u> |

Maturities of long-term debt are as follows:

Year ending June 30:

| | | |
|------|----|-----------|
| 2010 | \$ | 115,528 |
| 2011 | | 2,214,332 |
| 2012 | | 241,660 |

In connection with the mortgage loan agreement with Raza, Amber is required to maintain a debt service coverage ratio of 1.15 to 1 and certain operating and replacement reserves. At June 30, 2008, Amber was in compliance with the debt service coverage ratio. At June 30, 2009, Amber was not in compliance with the debt service coverage ratio. However, Raza has waived this event of non compliance.

Amber is required to deposit annually the amounts established for the reserves within 30 days after receipt of its annual audit. At June 30, 2009 and 2008, the required minimum amount for the reserves were \$36,367 and \$251,200, respectively. The balance of the operating and replacement reserves was \$326,282 at both June 30, 2009 and 2008. In addition, the agreement contains certain restrictions on Amber's ability to borrow money without the prior written consent of Raza, and a requirement that an operating and capital expenditure budget be submitted to Raza annually.

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 9 - LEASES

Lease revenue

At June 30, 2009, Amber had operating lease agreements with three tenants, expiring periodically through April 2013. One lease which expires in October 2011, grants the tenant the right to extend the term for five successive five-year periods.

Future minimum rents receivable under these noncancelable leases are as follows:

Year ending June 30:

| | | |
|-------|----|----------------|
| 2010 | \$ | 33,084 |
| 2011 | | 33,933 |
| 2012 | | 34,804 |
| 2013 | | <u>27,892</u> |
| Total | \$ | <u>129,713</u> |

Lease expense

Amber leases office equipment pursuant to noncancelable operating leases that expire periodically through September 2013. For the years ended June 30, 2009 and 2008, total lease payments aggregated \$46,696 and \$49,406, respectively.

Future minimum lease payments under noncancelable leases are as follows:

Year ending June 30:

| | | |
|-------|----|---------------|
| 2010 | \$ | 31,066 |
| 2011 | | 23,210 |
| 2012 | | 13,797 |
| 2013 | | 13,797 |
| 2014 | | <u>3,449</u> |
| Total | \$ | <u>85,319</u> |

NOTE 10 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

| | <u>2009</u> | <u>2008</u> |
|-----------------------------------|---------------------|---------------------|
| Land | \$ 335,000 | \$ 335,000 |
| Building | 3,123,388 | 3,123,388 |
| Equipment, furniture and fixtures | 588,484 | 533,177 |
| Building improvements | 1,205,644 | 990,769 |
| Software | <u>36,144</u> | <u>36,144</u> |
| | 5,288,660 | 4,982,334 |
| Less: accumulated depreciation | <u>1,008,145</u> | <u>831,722</u> |
| Property and equipment, net | <u>\$ 4,280,515</u> | <u>\$ 4,150,612</u> |

AMBER CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 11 - DEFERRED COSTS

Deferred costs relate primarily to environmental tests and architectural studies conducted on real estate located on Amsterdam Avenue in New York City and owned by the City of New York. Amber is in negotiations with the City of New York Department of Education ("DOE") to construct a facility at the site for Amber's future use. If the facility is constructed, the deferred costs will be capitalized to the cost of the property. If an agreement with DOE is not reached, these costs will be expensed at such time.

NOTE 12 - DONATED EQUIPMENT, MATERIAL AND SERVICES

Related parties

A member of Amber's Board of Directors is a partner in a law firm that provides pro bono legal services to Amber. The value of the services provided to Amber during the years ended June 30, 2009 and 2008, was \$14,022 and \$38,440, respectively. Such amounts are reflected in private grants and contributions and in professional fees in the accompanying financial statements.

Others

During the year ended June 30, 2009, unrelated parties donated toys to Amber which had a fair value of \$3,200 at the date of the contribution. In 2008, unrelated parties donated furniture to Amber which had a fair value of \$900 at the date of contribution. These amounts are reflected in private grants and contributions in the accompanying financial statements.

NOTE 13 - RETIREMENT PLAN

Amber sponsors a defined contribution 403(b) retirement plan covering substantially all of its full-time employees. Contributions to the plan on behalf of non-union employees are at the discretion of the Board of Directors. Contributions on behalf of union employees are in accordance with the union contract, which specified a 3% match as defined in the agreement for 2009 and a 2% match for 2008. For the years ended June 30, 2009 and 2008, Amber contributed \$59,172 and \$37,334, respectively, to the plan.

NOTE 14 - CONTINGENCIES

Certain of Amber's contracts are subject to audit by the funding sources. Disallowance and adjustments, if any, resulting from such audits, will be reflected in financial statements in the year of determination.

NOTE 15 -SUBSEQUENT EVENTS

Amber has evaluated material subsequent events through the date that these financial statements were available to be issued on October 29, 2009.

ADDITIONAL INFORMATION

AMBER CHARTER SCHOOL
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2009

| Federal Funding Department or Division | Program | Catalog Number | Expenditures |
|---|--|-------------------|-------------------|
| Office of Elementary and Secondary Education, Department of Education | School Breakfast Program and National School Lunch Program | 10.553 | \$ 130,161 |
| Office of Special Education and Rehabilitation Service, Department of Education | IDEA | 84.326 | 12,233 |
| Office of Elementary and Secondary Education, Department of Education | Elementary and Secondary Education Act of 1965 (ESEA) Title I Part A | 84.010 | 190,268 |
| Office of Elementary and Secondary Education, Department of Education | ESEA Title II Part A | 84.367 | 21,234 |
| Office of Elementary and Secondary Education, Department of Education | ESEA Title II Part D | 84.318 | 1,832 |
| Office of Elementary and Secondary Education, Department of Education | ESEA Title IV Part A | 84.186 | 2,602 |
| Office of Elementary and Secondary Education, Department of Education | ESEA Title V Part A | 84.298 | 180 |
| Office of Innovation and improvement, Department of Education | Public Charter School Program | 84.282 | <u>206,521</u> |
| | | | <u>\$ 565,031</u> |

See independent auditors' report and accompanying notes
to schedule of expenditures of federal awards.

AMBER CHARTER SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - GENERAL

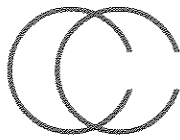
The accompanying schedule of expenditures of Federal Awards presents the activity of all federal financial assistance programs of Amber Charter School. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included on the schedules of expenditures of Federal Awards.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of Federal Awards has been prepared in accordance with generally accepted accounting principles.

NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal financial reports.



Citrin Cooperman & Company, LLP

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 Directors
Amber Charter School

We have audited the financial statements of Amber Charter School as of and for the year ended June 30, 2009, and have issued our report thereon dated October 29, 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 Amber 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 Amber Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Amber 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 organization'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 Amber Charter School's financial statements that is more than inconsequential will not be prevented or detected by Amber Charter School's internal control.

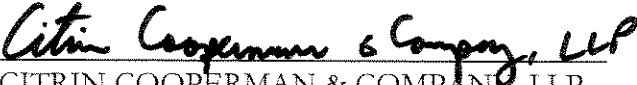
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Amber Charter School's internal control.

Our consideration of the 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 the internal control that might be significant deficiency 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.

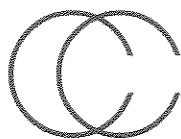
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Amber 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 Board of Directors, the Charter School Institute, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


CITRIN COOPERMAN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Springfield, New Jersey
October 29, 2009



Citrin Cooperman & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Amber Charter School

Compliance

We have audited the compliance of Amber Charter School with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Amber Charter School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Amber Charter School's management. Our responsibility is to express an opinion on Amber Charter School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Amber Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Amber Charter School's compliance with those requirements.

As described in item 1 in Section III of the accompanying Schedule of Findings and Questioned Costs, Amber Charter School did not comply with requirements regarding "Eligibility" that are applicable to its School Breakfast Program and National School Lunch Program. Compliance with such requirements is necessary, in our opinion, for Amber Charter School to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Amber Charter School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of Amber Charter School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Amber Charter School's internal control over compliance, with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Amber Charter School's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Citrin Cooperman & Company, LLP
CITRIN COOPERMAN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Springfield, New Jersey
October 29, 2009

AMBER CHARTER SCHOOL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2009

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? Yes No

Reportable conditions identified not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

Material weakness identified? Yes No

Reportable conditions identified not considered to be material weaknesses? Yes None reported

Type of auditors' report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) Yes No

Identification of major federal programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|--|
| 10.553 | School Breakfast Program and National School Lunch Program |
| 84.282 | Public Charter School Program |

Dollar threshold to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee Yes No

AMBER CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2009

Section II - Financial statement audit - reported findings under *Government Auditing Standards*:

None

Section III - Federal awards findings and questioned costs:

1. Condition:

Our audit disclosed one instance in which the level of benefits that a student was eligible to receive was not properly calculated under the School Breakfast and National Lunch Program. In addition, Amber's verification process did not detect that the initial determination was not made properly. This resulted in the student paying reduced fee meals instead of receiving free meals.

Recommendation:

Amber should enhance its procedures for determining and verifying eligibility to ensure that the students are receiving free or reduced meals in accordance to the federal and state requirements pertaining to the program. We recommend that management institute formal procedures and controls to review the initial determinations.

School's Response:

We believe the error in question to be an isolated instance. As a follow-up to the audit we will review the controls in place and emphasize the importance of making a correct eligibility determination.