

GRAND CONCOURSE ACADEMY
CHARTER SCHOOL

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2011 AND 2010

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

INDEX

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	2-3
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	7-11
SUPPLEMENTARY INFORMATION	
Schedules of Functional Expenses	12-13
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	14-15



KOCH GROUP & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
333 Seventh Avenue
New York, NY 10001
(212) 631-0700 FAX (212) 631-0109

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Grand Concourse Academy Charter School

We have audited the accompanying statements of financial position of Grand Concourse Academy Charter School as of June 30, 2011 and 2010, and the related statements of activities and cash flows for years then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 present fairly, in all material respects, the financial position of Grand Concourse Academy Charter School as of June 30, 2011 and 2010, and the results of its operations 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 12, 2011 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 audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the School taken as a whole. The accompanying schedules of functional expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Koch Group & Company, LLP
Certified Public Accountants

New York, New York
October 12, 2011

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30,

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash	\$ 897,968	\$ 647,580
Grant receivable	-	36,196
Due from government agencies	78,802	98,201
Other receivable	16,838	-
Prepaid expenses	44,854	60,412
	<u>1,038,462</u>	<u>842,389</u>
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	<u>1,377,665</u>	<u>1,072,469</u>
OTHER ASSETS		
Security deposits	<u>68,082</u>	<u>68,082</u>
Total Assets	<u><u>\$ 2,484,209</u></u>	<u><u>\$ 1,982,940</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Current Liabilities		
Accounts payable	\$ 72,433	\$ 56,780
Accrued expenses	486,688	441,850
Notes payable	88,376	84,408
Interest payable	778	1,099
Rent payable	211,014	83,389
	<u>859,289</u>	<u>667,526</u>
Total Current Liabilities	859,289	667,526
NOTES PAYABLE, less current portion	<u>116,385</u>	<u>204,761</u>
Total liabilities	975,674	872,287
NET ASSETS - UNRESTRICTED	<u>1,508,535</u>	<u>1,110,653</u>
Total Liabilities and Net Assets	<u><u>\$ 2,484,209</u></u>	<u><u>\$ 1,982,940</u></u>

See notes to financial statements.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30,

UNRESTRICTED NET ASSETS

	<u>2011</u>	<u>2010</u>
REVENUE, GAINS AND OTHER SUPPORT		
Public School District		
Resident student enrollment	\$ 5,393,248	\$ 5,010,884
Grants and Contracts		
State and local	30,656	31,855
Federal - Title and IDEA	438,975	405,841
Interest and other income	20,196	30,331
Contributions - Foundation/Individual/Corporation	<u>5,695</u>	<u>50,800</u>
Total Public Support and Revenue	<u>5,888,770</u>	<u>5,529,711</u>
EXPENSES		
Program Expenses		
Regular education	4,464,485	4,233,283
Special education	<u>273,057</u>	<u>346,747</u>
	4,737,542	4,580,030
Supporting Services		
Management and general	<u>753,346</u>	<u>686,104</u>
Total Expenses	<u>5,490,888</u>	<u>5,266,134</u>
CHANGE IN NET ASSETS	397,882	263,577
NET ASSETS		
Beginning of year	<u>1,110,653</u>	<u>847,076</u>
End of year	<u><u>\$ 1,508,535</u></u>	<u><u>\$ 1,110,653</u></u>

See notes to financial statements.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30,

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 397,882	\$ 263,577
ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	233,983	251,789
Changes in Assets and Liabilities		
Due from government agencies	19,399	126,308
Prepaid expenses	15,558	(23,097)
Grant receivable	36,196	(36,196)
Other receivable	(16,838)	-
Rent payable	127,625	83,389
Accounts payable	15,653	51,373
Accrued expenses	44,838	(23,393)
Interest payable	(321)	1,099
Net Cash Provided by Operating Activities	<u>873,975</u>	<u>694,849</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	<u>(539,179)</u>	<u>(679,385)</u>
Net cash used in investing activities	<u>(539,179)</u>	<u>(679,385)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Notes payable	<u>(84,408)</u>	<u>289,169</u>
Net cash provided by (used in) investing activities	<u>(84,408)</u>	<u>289,169</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	250,388	304,633
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>647,580</u>	<u>342,947</u>
End of year	<u>\$ 897,968</u>	<u>\$ 647,580</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 12,014</u>	<u>\$ 9,420</u>

See notes to financial statements.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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 School was chartered in July 2004, and was successfully re-chartered in 2009 for an additional five years. The goal of the School 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, 2011 AND 2010

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. Reclassifications

Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation. These reclassifications have no effect on changes in unrestricted net assets as previously reported.

4. 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 receives could vary significantly.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

4. 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:

	<u>2011</u>	<u>2010</u>
Federal	\$438,975	\$405,841
New York State	<u>30,656</u>	<u>31,855</u>
	<u>\$469,631</u>	<u>\$437,696</u>

5. Property and Equipment

At June 30, 2011 and 2010, property and equipment consisted of the following:

	<u>2011</u>	<u>2010</u>	<u>Estimated Useful Life</u>
Leasehold improvements	\$1,803,880	\$1,100,640	5 -39 years
Construction in progress	-	246,073	-
Furniture and fixtures	230,461	218,024	7 years
Computer equipment	339,251	290,764	5 years
Office equipment	<u>132,954</u>	<u>111,865</u>	5 -7 years
	2,506,546	1,967,366	
Less: Accumulated Depreciation	<u>(1,128,881)</u>	<u>(894,897)</u>	
	<u>\$1,377,665</u>	<u>\$1,072,469</u>	

Depreciation expense for the years ended June 30, 2011 and 2010 was \$233,983 and \$251,789.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

6. 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.

7. 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 5% of the employee's annual compensation. The employer contribution recognized in the statement of activities was \$103,475 and \$85,083 for the years ended June 30, 2011 and 2010. 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 Plan's participants and beneficiaries.

8. Rent

The School leases classroom space and administrative offices at 116 East 169th St. on a monthly basis. For the year ended June 30, 2011, the rent expense was \$508,311, which includes \$159,403 of prior years rent adjustments. As of June 30, 2011, the prior years rent adjustment payable is \$211,014.

The School also leased space at 50 East 168th St. for classroom and office use, which is no longer being utilized. The expense for the year ended June 30, 2011 was \$124,200, which includes \$61,750 of early lease cancellation fee.

	<u>116 East 169th St.</u>	<u>50 East 168th St.</u>	<u>Total</u>
Base rent	\$348,908	\$ 62,450	\$411,358
Prior years rent adjustment	159,403	-	159,403
Lease cancellation	-	61,750	61,750
Total	<u>\$508,311</u>	<u>\$124,200</u>	<u>\$632,511</u>

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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.

10. Food and Transportation

The New York City Department of Education provides free lunches directly to some of the School's students. Such costs are not included in these financial statements. The School covers the unreimbursed cost of lunches for children not entitled to free lunches. The office of Pupil Transportation provides free transportation to the majority of the students during the district's school days.

11. Subsequent Events

Management has evaluated subsequent events through October 12, 2011, the date that financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment or disclosure in the accompanying financial statements.

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011

	Regular Education	Special Education	Total Programs	Management & General	Total
<u>Personnel Expenses</u>					
Salaries and wages	\$ 2,553,224	\$ 158,508	\$ 2,711,732	\$ 352,407	\$ 3,064,139
Payroll taxes	225,415	13,994	239,409	31,113	270,522
Fringe benefits	266,678	16,556	283,234	36,808	320,042
Retirement	87,843	5,453	93,296	12,124	105,420
Total Personnel Expenses	<u>3,133,160</u>	<u>194,511</u>	<u>3,327,671</u>	<u>432,452</u>	<u>3,760,123</u>
<u>Operating Expenses</u>					
Professional and consulting services	30,859	2,360	33,219	189,458	222,677
Rent	537,306	31,954	569,260	63,251	632,511
Repairs and maintenance	139,838	8,316	148,154	16,462	164,616
Insurance	29,174	1,735	30,909	3,434	34,343
Utilities	101,836	6,056	107,892	11,988	119,880
Supplies and materials	109,360	5,819	115,179	-	115,179
Equipment and furnishings	4,512	268	4,780	531	5,311
Staff development	40,673	2,164	42,837	-	42,837
Marketing and recruitment	-	-	-	25	25
Technology	47,601	2,831	50,432	5,603	56,035
Food service	3,913	208	4,121	-	4,121
Student services	30,200	1,607	31,807	-	31,807
Office expense	47,076	2,800	49,876	5,542	55,418
Interest expense	9,939	585	10,524	1,169	11,693
Depreciation	198,764	11,821	210,585	23,398	233,983
Other	274	22	296	33	329
Total Operating Expenses	<u>1,331,325</u>	<u>78,546</u>	<u>1,409,871</u>	<u>320,894</u>	<u>1,730,765</u>
TOTAL EXPENSES	<u>\$ 4,464,485</u>	<u>\$ 273,057</u>	<u>\$ 4,737,542</u>	<u>\$ 753,346</u>	<u>\$ 5,490,888</u>

GRAND CONCOURSE ACADEMY CHARTER SCHOOL

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010

	Regular Education	Special Education	Total Programs	Management & General	Total
<u>Personnel Expenses</u>					
Salaries and wages	\$ 2,392,207	\$ 213,318	\$ 2,605,525	\$ 269,236	\$ 2,874,761
Payroll taxes	207,118	18,469	225,587	23,311	248,898
Fringe benefits	274,420	24,471	298,891	30,885	329,776
Retirement	70,801	6,314	77,115	7,968	85,083
Total Personnel Expenses	<u>2,944,546</u>	<u>262,572</u>	<u>3,207,118</u>	<u>331,400</u>	<u>3,538,518</u>
<u>Operating Expenses</u>					
Professional and consulting services	45,842	3,230	49,072	229,971	279,043
Rent	488,048	32,313	520,361	57,818	578,179
Repairs and maintenance	136,851	9,061	145,912	16,212	162,124
Insurance	26,043	1,724	27,767	3,085	30,852
Utilities	103,545	6,856	110,401	12,267	122,668
Supplies and materials	148,472	8,789	157,261	-	157,261
Equipment and furnishings	2,506	166	2,672	297	2,969
Staff development	31,681	1,875	33,556	-	33,556
Marketing and recruitment	-	-	-	1,237	1,237
Technology	34,291	2,270	36,561	4,062	40,623
Food service	4,767	282	5,049	-	5,049
Student services	15,589	923	16,512	-	16,512
Office expense	27,713	1,834	29,547	3,283	32,830
Interest expense	8,752	781	9,533	986	10,519
Depreciation	212,539	14,071	226,610	25,179	251,789
Other	2,098	-	2,098	307	2,405
Total Operating Expenses	<u>1,288,737</u>	<u>84,175</u>	<u>1,372,912</u>	<u>354,704</u>	<u>1,727,616</u>
TOTAL EXPENSES	<u>\$ 4,233,283</u>	<u>\$ 346,747</u>	<u>\$ 4,580,030</u>	<u>\$ 686,104</u>	<u>\$ 5,266,134</u>



KOCH GROUP & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
333 Seventh Avenue
New York, NY 10001
(212) 631-0700 FAX (212) 631-0109

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 of
Grand Concourse Academy Charter School

We have audited the financial statements of Grand Concourse Academy Charter School as of and for the years ended June 30, 2011 and 2010, and have issued a report thereon dated October 12, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 *deficiency in internal control* 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 *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 Board of Trustees, 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.

Koch Group & Company, LLP
Certified Public Accountants

New York, New York
October 12, 2011