

Community Partnership Charter School

Financial Report

June 30, 2011

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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 (the "School") as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the 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 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, 2011 and 2010, 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 21, 2011 on our consideration of the 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 21, 2011

Community Partnership Charter School

Statements of Financial Position June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash and Cash Equivalents	\$ 1,101,666	\$ 1,065,924
Grants Receivable	122,078	179,390
Interest Receivable and Other Assets	5,407	8,148
Investments	2,270,941	1,784,034
Property and Equipment, net	<u>81,883</u>	<u>41,736</u>
Total assets	<u>\$ 3,581,975</u>	<u>\$ 3,079,232</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 436,779	\$ 392,391
Refundable advance	20,833	13,321
Due to Beginning with Children Foundation	<u>28,059</u>	<u>23,389</u>
Total liabilities	<u>485,671</u>	<u>429,101</u>
Contingency		
Net Assets:		
Unrestricted:		
Board-designated for facility and personnel costs	1,200,000	1,200,000
Undesignated	<u>1,896,304</u>	<u>1,440,131</u>
	3,096,304	2,640,131
Temporarily restricted	<u>-</u>	<u>10,000</u>
Total net assets	<u>3,096,304</u>	<u>2,650,131</u>
Total liabilities and net assets	<u>\$ 3,581,975</u>	<u>\$ 3,079,232</u>

See Notes to Financial Statements.

Community Partnership Charter School

**Statements of Activities
Years Ended June 30, 2011 and 2010**

	2011			2010		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating Revenue:						
State and local per pupil operating revenue	\$ 4,842,873	\$ -	\$ 4,842,873	\$ 3,892,484	\$ -	\$ 3,892,484
Government grants	152,597	-	152,597	228,058	-	228,058
Other revenue	4,195	-	4,195	4,874	-	4,874
Total operating revenue	4,999,665	-	4,999,665	4,125,416	-	4,125,416
Expenses:						
Program services	4,176,029	-	4,176,029	3,330,466	-	3,330,466
Management and general	435,492	-	435,492	415,580	-	415,580
Development	32,501	-	32,501	27,116	-	27,116
Total operating expenses	4,644,022	-	4,644,022	3,773,162	-	3,773,162
Surplus on government-funded school operations	355,643	-	355,643	352,254	-	352,254
Contributions and Grants	71,445	-	71,445	87,692	10,000	97,692
Investment Earnings	19,085	-	19,085	34,939	-	34,939
Net Assets Released From Restrictions	10,000	(10,000)	-	-	-	-
Change in net assets	456,173	(10,000)	446,173	474,885	10,000	484,885
Net Assets:						
Beginning	2,640,131	10,000	2,650,131	2,165,246	-	2,165,246
Ending	<u>\$ 3,096,304</u>	<u>\$ -</u>	<u>\$ 3,096,304</u>	<u>\$ 2,640,131</u>	<u>\$ 10,000</u>	<u>\$ 2,650,131</u>

See Notes to Financial Statements.

Community Partnership Charter School

Statements of Functional Expenses
Years Ended June 30, 2011 and 2010

	2011				2010			
	Program Services	Management and General	Development	Total	Program Services	Management and General	Development	Total
Personnel services	\$ 2,775,477	\$ 158,551	\$ -	\$ 2,934,028	\$ 2,250,816	\$ 129,051	\$ -	\$ 2,379,867
Employee benefits and payroll taxes	662,392	37,840	-	700,232	583,120	33,431	-	616,551
Occupancy	58,008	6,463	-	64,471	42,902	9,105	-	52,007
Consultants	66,411	-	-	66,411	20,755	-	-	20,755
Classroom instructional supplies	149,428	-	-	149,428	94,035	-	-	94,035
Textbooks and library books	19,905	-	-	19,905	30,621	-	-	30,621
Curriculum and staff development	95,476	-	-	95,476	104,154	-	-	104,154
Outreach	1,957	-	-	1,957	684	-	-	684
Trips and admissions	65,800	-	-	65,800	29,289	-	-	29,289
Research and evaluation	17,878	-	-	17,878	13,009	-	-	13,009
After-school and summer school programs	63,107	-	-	63,107	63,107	-	-	63,107
Management fees	130,004	162,506	32,501	325,011	54,233	189,813	27,116	271,162
Accounting and legal fees	-	23,888	-	23,888	-	20,899	-	20,899
Office and technology supplies	-	29,140	-	29,140	-	18,548	-	18,548
Telephone	-	8,250	-	8,250	-	8,364	-	8,364
Postage and shipping	-	4,975	-	4,975	-	3,074	-	3,074
Miscellaneous	39,485	3,879	-	43,364	28,182	3,295	-	31,477
Depreciation	30,701	-	-	30,701	15,559	-	-	15,559
Total expenses	\$ 4,176,029	\$ 435,492	\$ 32,501	\$ 4,644,022	\$ 3,330,466	\$ 415,580	\$ 27,116	\$ 3,773,162

See Notes to Financial Statements.

Community Partnership Charter School

Statements of Cash Flows

Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities:		
Change in net assets	\$ 446,173	\$ 484,885
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss on investments	7,232	-
Depreciation	30,701	15,559
Changes in operating assets and liabilities:		
Decrease (increase) in grants receivable	57,312	(31,618)
Decrease (increase) in interest receivable and other assets	2,741	(2,614)
Increase in due to Beginning with Children Foundation	4,670	22,690
Increase (decrease) in accounts payable and accrued expenses	28,437	(93,402)
Increase (decrease) in refundable advance	7,512	(15,297)
Net cash provided by operating activities	584,778	380,203
Cash Flows From Investing Activities:		
Purchase of property and equipment	(54,897)	(5,834)
Purchase of investments	(2,029,264)	-
Proceeds from sale of investments	1,535,125	429,547
Net cash (used in) provided by investing activities	(549,036)	423,713
Net increase in cash and cash equivalents	35,742	803,916
Cash and Cash Equivalents:		
Beginning	1,065,924	262,008
Ending	\$ 1,101,666	\$ 1,065,924
Supplemental Disclosure of Noncash Investing Activity:		
Equipment purchase included in accounts payable and accrued expenses	\$ 15,951	\$ -

See Notes to Financial Statements.

Community Partnership Charter School

Notes to Financial Statements

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

Principal Business Activity: 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, which 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 which 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.

Basis of Accounting: 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.

Contributions: 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. Amounts received with donor stipulations that limit the use of the assets for certain purposes are reported as unrestricted support if the stipulated purpose restriction is accomplished in the same year.

Grants and Refundable Advances: 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. Revenue from federal, state and local grants and contracts is recognized as revenue when qualifying expenditures are incurred. Amounts received in excess of expenditures incurred are recognized as refundable advances.

Contributed Services: 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 inasmuch as those services would not typically be purchased had they not been provided by donation.

Concentration of Credit Risk: The School maintains its cash in bank deposit accounts with two financial institutions. At times, balances on these accounts may exceed federally insured limits. The School has not experienced any losses in such accounts.

Cash and Cash Equivalents: The School considers all highly liquid financial instruments with an original maturity of three months or less to be cash equivalents.

Community Partnership Charter School

Notes to Financial Statements

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

Investments: Investments, which consist of certificates of deposit, are stated at amortized cost, which approximates fair value, or at fair value based on quoted market prices, where available.

Property and Equipment and Related Depreciation: 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.

Net Assets: 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.

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 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.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Certain costs have been allocated among program and supporting services.

Income Taxes: The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School as a nonprofit entity is subject to unrelated business income tax ("UBIT"), if applicable. For the tax years ended June 30, 2011 and 2010, the School did not owe any UBIT.

Management evaluated the School's tax positions and concluded that the School had taken no uncertain tax positions that require adjustments to the financial statements. Generally, the School is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2007, which is the standard statute of limitations look-back period.

Subsequent Events: 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 and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was October 21, 2011 for these financial statements.

Fair Value: The School applies Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, which provides a framework for measuring fair value under generally accepted accounting principles. ASC 820 applies to all financial instruments that are being measured and reported on a fair value basis. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Community Partnership Charter School

Notes to Financial Statements

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

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are considered to be active.

Level 3: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimates.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement. The classification of an asset or liability in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of the asset or liability.

The School assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no transfers among Levels 1, 2 and 3 during 2011 and 2010.

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 years ended June 30, 2011 and 2010, the Foundation entered into a Memorandum of Understanding ("MOU") agreement with the School. Pursuant to the terms of the MOU agreement, the School agreed to pay service fees to the Foundation in the amounts of \$325,011 and \$271,162 for the years ended June 30, 2011 and 2010, respectively. 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. Amounts due to the Foundation at June 30, 2011 and 2010 were \$28,059 and \$23,389, respectively.

Note 3. Fair Value of Investments

The School's investments at June 30, 2011 and 2010 consist of certificates of deposit amounting to \$2,270,941 and \$1,784,034, respectively, which are classified as Level 2 in the fair value hierarchy.

One financial institution held approximately 89% and 72% of the School's investments at June 30, 2011 and 2010. These certificates of deposit are FDIC insured.

Community Partnership Charter School

Notes to Financial Statements

Note 4. Property and Equipment, Net

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

	<u>2011</u>	<u>2010</u>	<u>Estimated Useful Life</u>
Furniture and fixtures	\$ 108,328	\$ 108,328	3 to 7 years
Computer equipment	<u>204,167</u>	<u>133,319</u>	3 years
	312,495	241,647	
Less accumulated depreciation	<u>230,612</u>	<u>199,911</u>	
	<u>\$ 81,883</u>	<u>\$ 41,736</u>	

Note 5. School Facilities

The School occupies space in a public school buildings owned by the NYCDOE located at 241 Emerson Place in Clinton Hill, Brooklyn and at 114 Kosciuszko Street, Brooklyn. These facilities have been made available at no charge to the School by the NYCDOE.

Note 6. Employee Benefit Plan

The School maintains a defined contribution plan under Section 401(k) of the Internal Revenue 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 2011 and 2010, the amount charged to operations for contributions to the plan was approximately \$70,000 and \$68,000, respectively.

Note 7. 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 8. Temporarily Restricted Net Assets

At June 30, 2010, temporarily restricted net assets consisted of contributions that were restricted for the purchase of library materials. The School satisfied the purpose restriction on these net assets and the amount of \$10,000 was released from restrictions during the year ended June 30, 2011.



**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
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, 2011, and have issued our report thereon dated October 21, 2011. 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

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 the 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 finance committee, the board of trustees, others within the entity, the New York State Education Department and the Board of Regents 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 21, 2011