



*FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION*

JUNE 30, 2013 AND 2012

HENRY JOHNSON CHARTER SCHOOL

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JUNE 30, 2013 AND 2012

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CUSACK & COMPANY
Certified Public Accountants LLC
7 AIRPORT PARK BOULEVARD
LATHAM, NEW YORK 12110
(518) 786-3550
FAX (518) 786-1538
E-MAIL ADDRESS: INFO@CUSACKCPA.COM
WWW.CUSACKCPA.COM

CLIFTON PARK/HALFMOON OFFICE
(518) 664-7063
FAX (518) 541-3083

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
AND
NEW YORK STATE SOCIETY OF
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Henry Johnson Charter School

Report on Financial Statements

We have audited the accompanying financial statements of Henry Johnson Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

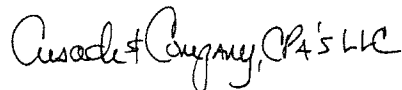
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Henry Johnson Charter School as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 12-13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2013, on our consideration of Henry Johnson 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Henry Johnson Charter School's internal control over financial reporting and compliance.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
October 29, 2013

HENRY JOHNSON CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current Assets		
Cash	\$ 1,433,567	\$ 932,332
Cash - Designated	1,088,923	1,070,633
Grants and Contracts Receivable	272,990	215,352
Prepaid Expenses	<u>101,233</u>	<u>137,225</u>
Total Current Assets	2,896,713	2,355,542
Property and Equipment - Net	<u>385,961</u>	<u>355,513</u>
Total Assets	<u>\$ 3,282,674</u>	<u>\$ 2,711,055</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 147,029	\$ 53,907
Accrued Payroll and Benefits	491,232	463,258
Compensated Absences	<u>13,572</u>	<u>15,095</u>
Total Liabilities	<u>651,833</u>	<u>532,260</u>
Net Assets		
Unrestricted		
Undesignated	1,541,918	1,108,162
Designated	<u>1,088,923</u>	<u>1,070,633</u>
Total Unrestricted	<u>2,630,841</u>	<u>2,178,795</u>
Total Liabilities and Net Assets	<u>\$ 3,282,674</u>	<u>\$ 2,711,055</u>

HENRY JOHNSON CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Revenue

Public School District	
Resident Student Enrollment	\$ 5,370,882
Students with Disabilities	5,476
Grants and Contracts	
Federal Grants	195,145
Food Service/Children Nutrition Program	<u>297,280</u>
Total Revenue	<u>5,868,783</u>

Expenses

Program Services	
Regular Education	3,516,167
Special Education	765,988
Other Programs	<u>359,733</u>
Total Program Services	4,641,888
Management and General	<u>801,804</u>
Total Operating Expenses	<u>5,443,692</u>
Surplus from School Operations	<u>425,091</u>

Other Revenue

Contributions	1,587
Fundraising	1,263
Interest Income	420
Miscellaneous Income	<u>23,685</u>
Total Other Revenue	<u>26,955</u>

Increase in Net Assets	452,046
Net Assets, Beginning of Year	<u>2,178,795</u>
Net Assets, End of Year	<u>\$ 2,630,841</u>

HENRY JOHNSON CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Revenue

Public School District	
Resident Student Enrollment	\$ 5,255,931
Students with Disabilities	7,204
Grants and Contracts	
Federal Grants	157,735
Food Service/Children Nutrition Program	<u>289,291</u>
Total Revenue	<u>5,710,161</u>

Expenses

Program Services	
Regular Education	3,442,477
Special Education	600,046
Other Programs	<u>407,314</u>
Total Program Services	4,449,837
Management and General	<u>759,196</u>
Total Operating Expenses	<u>5,209,033</u>
Surplus from School Operations	<u>501,128</u>

Other Revenue

Contributions	1,523
Fundraising	2,328
Interest Income	80
Miscellaneous Income	<u>9,256</u>
Total Other Revenue	<u>13,187</u>

Increase in Net Assets	514,315
Net Assets, Beginning of Year, as Restated	<u>1,664,480</u>
Net Assets, End of Year	<u><u>\$ 2,178,795</u></u>

HENRY JOHNSON CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows Provided by Operating Activities:		
Increase in Net Assets	\$ 452,046	\$ 514,315
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	55,157	60,425
Changes in Operating Assets and Liabilities		
<u>Decrease (Increase) in Assets</u>		
Grants and Contracts Receivable	(57,638)	556,549
Accounts Receivable	-	11,114
Prepaid Expenses	35,992	447,805
<u>(Decrease) Increase in Liabilities</u>		
Accounts Payable and Accrued Expenses	93,122	(35,744)
Accrued Payroll and Benefits	27,974	48,655
Compensated Absences	<u>(1,523)</u>	<u>4,847</u>
Net Cash Provided by Operating Activities	605,130	1,607,966
Cash Flows Used in Investing Activities		
Purchase of Property and Equipment	<u>(85,605)</u>	<u>(44,322)</u>
Net Increase in Cash	519,525	1,563,644
Cash, Beginning of Year	<u>2,002,965</u>	<u>439,321</u>
Cash, End of Year	<u>\$ 2,522,490</u>	<u>\$ 2,002,965</u>

HENRY JOHNSON CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

1. ORGANIZATION AND PURPOSE

Organization

Henry Johnson Charter School (the “School”) is a New York not-for-profit organization that works to ensure all students reach the highest levels of scholastic achievement in an environment that instills character, virtue, and “habits of mind” that ensure success both within and outside the classroom: diligence, courage, respect, self-reliance, duty and responsibility.

During the 2012-2013 school year, the School had an annualized full-time enrollment of approximately 382 students in grades K through 4.

The School is governed by a Board of Trustees in accordance with the School’s by-laws. The School is a member of the Brighter Choice Foundation, which provides start-up grants, school facilities, revolving loan funds and technical assistance to area charter schools.

The School is exempt from Federal and State income tax under §501(c)(3) of the Internal Revenue Code and comparable New York State Law. The School is designated as a publicly supported organization which is not a private foundation under §509(a) of the Internal Revenue Code.

2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION

Financial Statement Presentation

The following summarizes the significant accounting policies consistently applied in the preparation of the School’s financial statements, with references to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) where applicable.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with FASB ASC “Financial Statements of Not-for-Profit Organizations” utilizing the accrual basis of accounting. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Support and Revenue

Grants and pledges received are measured at their fair values and reported as an increase in net assets. The School reports grants and pledges as restricted support when a portion of their value is assigned to a long-term future use; long-term meaning in excess of one year for the purpose of these financial statements.

2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Support and Revenue (Continued)

The School reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services

A number of unpaid volunteers have made contributions of their time. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation and it does not meet the reporting requirements of the accounting standards.

Grants, Contracts and Accounts Receivable

The School utilizes the allowance method to determine the allowance for doubtful accounts. At June 30, 2013 and 2012 management determined no allowance was necessary based upon their review of the specific receivables.

Property, Equipment and Depreciation

Acquisitions of property and equipment in excess of \$500 are capitalized and recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs not improving or extending the lives of property and equipment is charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statements of activities. Depreciation is provided over the estimated useful life of each class of depreciable assets (ranging from 3 to 15 years) and is computed using the straight-line method.

Conditional and Unconditional Promises to Give

At June 30, 2013 and 2012, the School had not received any conditional or unconditional promises to give.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs benefitted. Salaries are allocated based on estimates of total time spent, while other expenses are allocated based on estimates of the resources used.

2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

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 certain reported amounts and disclosures. Actual results could differ from these estimates.

Fair Value

For assets and liabilities measured at fair value on a recurring basis, the Accounting Standards Codification requires expanded disclosures about fair value measurements and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that the School would receive upon selling an asset or be paid to transfer a liability in an orderly transaction between market participants. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The School has no assets or liabilities measured at fair value on a recurring basis.

Accounting for Uncertainty in Income Taxes

The Accounting Standards Codification requires entities to disclose in their financial statements the nature of any uncertainty in their tax position. The School has not recognized any benefits from uncertain tax positions in 2012 and believes it has no uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the balance sheet date. Generally, federal, state and local authorities may examine the School's tax-exempt returns for three years from the date of filing; consequently, income tax returns for years prior to 2010 are no longer subject to examination by taxing authorities.

Subsequent Events

The School has adopted ASC 855, *Subsequent Events*, which establishes general standards of accounting for, and disclosures of, events that occur after the due date of the financial statements but before the financial statements are issued or are available to be issued. In the preparation of these financial statements and notes thereto, management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through October 29, 2013, the date the financial statements were available to be issued. No such events or transactions were identified.

2. ACCOUNTING POLICIES AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of financial position classification and the statement of cash flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less and any certificates of deposit that do not contain material early withdrawal penalties to be cash equivalents.

Designated cash represents funds set aside by Board action for future school expansion.

Advertising Costs

The School expenses advertising costs as they are incurred. Advertising costs for the years ended June 30, 2013 and 2012 were \$15,432 and \$27,408, respectively.

3. GRANTS, CONTRACTS AND ACCOUNTS RECEIVABLE

At June 30, 2013 and 2012, grants, contracts and accounts receivable were comprised of the following funding sources:

	<u>2013</u>	<u>2012</u>
School District Tuition	\$ 215,063	\$ 181,868
U.S. Department of Agriculture	57,927	32,346
U.S. Department of Education	-	1,138
	<u>\$ 272,990</u>	<u>\$ 215,352</u>

4. PROPERTY AND EQUIPMENT - NET

Property and equipment - net are reflected at historical cost, net of related depreciation, and are comprised of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Buildings	\$ 174,915	\$ 174,915
Furniture and Fixtures	182,749	162,525
Equipment	<u>302,298</u>	<u>236,917</u>
Total at Cost	659,962	574,357
Less: Accumulated Depreciation	<u>(274,001)</u>	<u>(218,844)</u>
	<u>\$ 385,961</u>	<u>\$ 355,513</u>

Depreciation expense was \$55,157 and \$60,425 for the years ended June 30, 2013 and 2012, respectively.

5. RENTAL OF FACILITY

The School currently leases facilities from the Brighter Choice Foundation through July 31, 2015. Net occupancy costs for the years ended June 30, 2013 and 2012 was \$551,600 and \$543,200, respectively. Rental expense for the years ending June 30, 2014 and 2015 are estimated to be \$560,000 per year.

6. RETIREMENT PLAN

The School has adopted a SIMPLE IRA retirement plan that all employees are eligible to participate in. The School contributes a matching contribution of up to 3% of the employee's gross compensation per payroll to any employee who contributes to the plan. The School's retirement plan expense for the years ended June 30, 2013 and 2012 was \$31,125 and \$32,020, respectively.

7. CONCENTRATION OF RISK

The School receives a substantial portion of its funding from school districts where students reside. Two school districts comprised approximately 82% and 85% of total revenue and support for the years ended June 30, 2013 and 2012, respectively. No other funding source accounted for more than 10% of total revenue and support.

The School does occasionally maintain deposits in excess of federal insured limits. FASB ASC 850-10 identifies this as a possible concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is further managed by maintaining all deposits in high quality financial institutions.

The School is subject to audits and reviews of reimbursable costs by various governmental agencies. The outcome of the audits and reviews may have the effect of retroactively increasing or decreasing revenue from various sources. These charges, if any, will be recognized in accordance with the rules and guidelines established by the various funding sources.

8. RESTATEMENT OF UNRESTRICTED NET ASSETS

The School's net assets as of June 30, 2011 have been restated to correct the financial statements for the following expense activity:

Accrued Teacher Summer Payroll, Understated	\$ (308,836)
Net Assets, as Originally Reported	<u>1,973,316</u>
Net Assets, as Restated	<u><u>\$ 1,664,480</u></u>

SUPPLEMENTARY INFORMATION

HENRY JOHNSON CHARTER SCHOOL

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

	Program Services			Supporting Services		
	Regular Education	Special Education	Other Education	Total	Management and General	Total
Administrative Personnel	\$ 139,897	\$ -	\$ -	\$ 139,897	\$ 458,455	\$ 598,352
Instructional Personnel	1,861,388	421,172	-	2,282,560	-	2,282,560
Non-Instructional Personnel	-	-	77,601	77,601	40,194	117,795
Total Salaries	2,001,285	421,172	77,601	2,500,058	498,649	2,998,707
Fringe Benefits and Payroll Taxes	434,044	90,087	-	524,131	98,061	622,192
Retirement	21,706	4,514	-	26,220	4,905	31,125
Legal Service	25,529	5,308	-	30,837	5,769	36,606
Accounting and Audit Services	16,354	3,400	-	19,754	3,696	23,450
Other Purchased, Professional and Consulting Services	105,757	51,989	-	157,746	29,513	187,259
Building and Land Lease	384,681	79,983	24,920	489,584	62,016	551,600
Repairs and Maintenance	128,824	26,785	8,345	163,954	20,768	184,722
Insurance	22,898	4,761	1,483	29,142	3,692	32,834
Utilities	37,395	7,775	2,422	47,592	6,028	53,620
Supplies and Materials	52,408	10,897	-	63,305	43,049	106,354
Equipment and Furnishings	795	165	-	960	180	1,140
Staff Development	40,221	8,363	-	48,584	-	48,584
Marketing and Recruitment	10,762	2,238	-	13,000	2,432	15,432
Technology	12,315	2,561	-	14,876	2,783	17,659
Food Service	-	-	141,982	141,982	-	141,982
Student Services	124,473	25,880	101,385	251,738	-	251,738
Office Expense	24,615	5,118	1,595	31,328	3,968	35,296
Depreciation and Other	72,105	14,992	-	87,097	16,295	103,392
Total Expenses	\$ 3,516,167	\$ 765,988	\$ 359,733	\$ 4,641,888	\$ 801,804	\$ 5,443,692

HENRY JOHNSON CHARTER SCHOOL
 SCHEDULE OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2012

	Program Services			Supporting Services	
	Regular Education	Special Education	Other Education	Total	Management and General
Administrative Personnel	\$ 108,606	\$ -	\$ -	\$ 108,606	\$ 434,425
Instructional Personnel	1,808,733	323,551	-	2,132,284	-
Non-Instructional Personnel	-	-	-	-	40,706
Total Salaries	1,917,339	323,551	-	2,240,890	475,131
Fringe Benefits and Payroll Taxes	431,008	72,733	-	503,741	97,656
Retirement	22,948	3,872	-	26,820	5,199
Legal Service	25,513	4,305	-	29,818	5,781
Accounting and Audit Services	26,273	4,434	-	30,707	5,953
Other Purchased, Professional and Consulting Services	94,724	35,110	-	129,834	25,170
Building and Land Lease	389,299	65,694	36,778	491,771	51,429
Repairs and Maintenance	107,012	18,058	10,110	135,180	14,137
Insurance	19,011	3,208	1,796	24,015	2,512
Utilities	36,015	6,078	3,402	45,495	4,758
Supplies and Materials	64,223	10,838	-	75,061	44,662
Equipment and Furnishings	3,133	529	-	3,662	710
Staff Development	67,529	11,396	-	78,925	-
Marketing and Recruitment	21,096	3,560	-	24,656	4,780
Technology	17,281	2,916	-	20,197	3,915
Food Service	-	-	278,859	278,859	-
Student Services	112,011	18,902	73,820	204,733	-
Office Expense	26,982	4,553	2,549	34,084	3,565
Depreciation and Other	61,080	10,309	-	71,389	13,838
Total Expenses	\$ 3,442,477	\$ 600,046	\$ 407,314	\$ 4,449,837	\$ 759,196
					\$ 5,209,033

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7 AIRPORT PARK BOULEVARD
LATHAM, NEW YORK 12110
(518) 786-3550
FAX (518) 786-1538
E-MAIL ADDRESS: INFO@CUSACKCPA.COM
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MEMBERS OF:
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AND
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**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
Henry Johnson Charter School

We have audited, in accordance with the 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, the financial statements of Henry Johnson Charter School (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Henry Johnson Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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 School's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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Latham, New York
October 29, 2013

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October 29, 2013

To the Board of Trustees
Henry Johnson Charter School

We have audited the financial statements of Henry Johnson Charter School for the year ended June 30, 2013, and have issued our report thereon dated October 29, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Henry Johnson Charter School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements for the year ended June 2013.

Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive estimates affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole, see Schedule (1). Several material misstatements detected as a result of audit procedures were corrected by management, see Schedule (2).

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 29, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

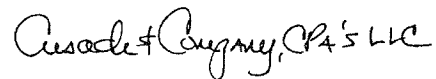
Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is

appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Henry Johnson Charter School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Cusack & Company, CPA's LLC".

Cusack & Company, CPA's LLC

Prepared by _____

Henry Johnson Charter School
Adjusting Journal Entries

2501
Page 1
09/27/13

Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Workpaper
AJE.01	Adjusting	06/30/13				
		1502	Furniture & Fixtures PPE	17,876.24		
		1501	Equipment PPE	1,755.97		
		5103	Office Equip & Furniture		5,122.53	
		5105	Classroom Furniture		12,753.71	
		5107	Computers & Software		1,755.97	
			JE to capitalize expenses to asset accounts			H-1
AJE.02	Adjusting	06/30/13				
		1510	Leasehold Improvements	27,413.00		
		1501	Equipment PPE		27,413.00	
			JE to reclass assets from equipment to leasehold improvements			H-1
AJE.04	Adjusting	06/30/13				
		1581	Land Improvements	53,634.30		
		5303	Moving Expenses		53,634.30	
			JE to capitalize moving and demolition expenses as land improvements			H-1
AJE.05	Adjusting	06/30/13				
		1510	Leasehold Improvements	9,990.00		
		5302	Maint & Repairs		9,990.00	
			JE to capitalize expense as leasehold improvements			H-1
AJE.06	Adjusting	06/30/13				
		1502	Furniture & Fixtures PPE	2,348.50		
		5319	Contingency Fund		2,348.50	
			JE to capitalize expenses as furniture and fixtures			H-1
AJE.07	Adjusting	06/30/13				
		5675	Depreciation Expense	13,157.57		
		1511	Accumulated Depreciation Furn/Fi		13,157.57	
			JE to true-up depreciation expense			H-1

Prepared by _____

**Henry Johnson Charter School
Adjusting Journal Entries**

2501
Page 2
09/27/13

Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Workpaper
AJE.08	Adjusting	06/30/12				
		6303	PR Tax - SS/Medicare	32,498.00		
		6240	Special Teacher Wages	15,389.00		
		6200	Teacher Salaries - Other	292,363.00		
		6100	Administration Salaries	25,283.00		
		2016	Accrued Salaries		365,533.00	
		2016	Accrued Salaries	308,836.00		
		6303	PR Tax - SS/Medicare		25,452.00	
		6240	Special Teacher Wages		16,007.00	
		6200	Teacher Salaries - Other		267,377.00	
			JE to book the 10 mos employees payroll accrual and the bonus accrual			1.3F
AJE.09	Adjusting	06/30/12				
		3900	Retained Earnings	308,836.00		
		2016	Accrued Salaries		308,836.00	
			JE to book the net asset restatement			1.3F
		TOTAL		<u>1,109,380.58</u>	<u>1,109,380.58</u>	

Index

NPO-CX-12.2: AUDIT DIFFERENCE EVALUATION FORM

Entity: HCS #2601

Statement of Financial Position Date: 6/30/2013

Completed by: JST LMS 9/4/13

Date: 8/21/13

Instructions: This form may be used to accumulate audit differences (AD) greater than the amount considered clearly trivial (documented at Step 5 of NPO-CX-2.1). This form should not include normal closing entries. At the end of the audit, evaluate all uncorrected audit differences, individually and in the aggregate, in relation to individual amounts, subtotals, or totals in the financial statements and conclude on whether they materially misstate the financial statements taken as a whole. Before evaluating the effect of uncorrected misstatements, reassess whether materiality is still appropriate based on the entity's actual financial results. The notes following the table provide explanations and a listing of qualitative considerations in evaluating materiality. The form allows for quantifying the effect of misstatements using both the rollover and iron curtain methods, as appropriate. You need to be familiar with the guidance in section 11.2 before completing this form.

Table with columns: Description (Nature) of Audit Difference (AD), Factual (F), Judgmental (J), or Projected (P), Cause, Workpaper Reference, Total Assets, Total Liabilities, Net Assets, Revenues, Expenses, Change in Net Assets, Working Capital. Includes rows for School Lunch, Little T, Out of PP A/P, Not recording inventory, Total, and Financial Statement Caption Totals.

HJCS1
Audit Diff
6/30/13

<SCHEDULE 2> 1.6
(1/3)

Qualitative Factors: Describe qualitative factors that entered into your evaluation of whether uncorrected accumulated misstatements are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole, and the reasons why.

Tolerable Misstatement = \$73,000 per WP 7.4

CUSACK & COMPANY
Certified Public Accountants LLC
7 AIRPORT PARK BOULEVARD
LATHAM, NEW YORK 12110
(518) 786-3550
FAX (518) 786-1538
E-MAIL ADDRESS: INFO@CUSACKCPA.COM
WWW.CUSACKCPA.COM

CLIFTON PARK/HALFMOON OFFICE
(518) 664-7063
FAX (518) 541-3083

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
AND
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

October 29, 2013

To the Board of Trustees
Henry Johnson Charter School

In planning and performing our audit of the financial statements of Henry Johnson Charter School as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Organization's internal control. Accordingly, we do not express an opinion on the Organization's effectiveness of the internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Henry Johnson Charter School's internal control to be significant deficiencies:

Finding 2013-1: Outsourcing of Financial Statement Preparation Process to Your Auditors

Though the Organization's finance committee includes staff and board members capable of preparing a complete set of financial statements and related footnotes in accordance with generally accepted accounting principles, they have elected to outsource this function. This decision was made in order to manage the audit workload and provide enhanced accountability through third-party analysis. To this end, Cusack & Company, CPA's LLC has assisted the Organization in preparing its financial statements. Management continues to make all management decisions and perform all management functions. Additionally, management has designated an individual who possesses suitable skill, knowledge and experience to oversee our services. Such individual is responsible to evaluate the adequacy and results of the services performed, accepts responsibility for the results of the services, and maintains control and monitors such services.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Cusack & Company, CPA's LLC".

CUSACK & COMPANY, CPA'S LLC

CUSACK & COMPANY
Certified Public Accountants LLC
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AND
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

October 15, 2013

To the Board of Trustees
Henry Johnson Charter School
Albany, New York 12206

Dear Members:

We have concluded the annual audit for the year ending June 30, 2013 and would like to summarize in writing the issues we verbally addressed during the course of our audit fieldwork. While the items noted below are not deemed to be significant deficiencies or material weaknesses in the operations of the School and therefore not reportable in the annual governance letter, we are including this separate letter should improvement be desired.

Monthly Board Reporting Package

Upon review of the monthly Board reporting package, we noted that a Balance Sheet is not included as part of the financial statements and therefore not reviewed by the Board of Trustees on a monthly basis. We recommend that the School reviews The Fiscal & Programmatic Audits and Financial Procedures document and employs procedures to ensure that the Board reviews a full set of financial statements as part of the monthly reporting package, as prescribed by said policy.

Upon review of the monthly Board reporting package, we noted that a listing of all non-recurring Journal Entries made during the period, as well as Accounts Receivable and Accounts Payable Aging Summary Reports are not provided to the Board for review. We recommend that the School reviews The Fiscal & Programmatic Audits and Financial Procedures document and amends the document for the additional reports.

Cash Collateral

We desired to test the adequacy of the cash collateral at the end of the year and were unable to obtain sufficient audit evidence to verify that the cash account balances at year end were properly collateralized. The financial institution was not able to provide adequate information for our purposes to run this verification, and it is also impedes on management's ability to perform this test. The School should communicate with the financial institution on this issue in order to determine the collateralized issue going forward.

Cash Receipt Process

We tested a sample of cash receipt and deposit transactions for various attributes. Several cash receipt packets lacked sufficient detail to ascertain the receipt date of the check received. We recommend that the School reviews the Front Office Protocols document and employs procedures to ensure that all check copies retained for the cash receipt package are properly stamped and dated, as prescribed by said policy.

Cash and Check Deposit Process

It was noted, through the review and inspection of several cash receipt and deposit packets, that both cash and check deposits are routinely held for longer than 7 days, therefore, resulting in incorrect cash and accounts receivable balance at the end of the year. We recommend that the School develop and employ a policy to ensure check and cash deposits are made timely.

Food Purchases Supporting Documentation

We tested a sample of cash disbursement activity for various attributes. Several food service transactions did not have the necessary purchase order documentation and authorization by the principal in order to support the payment. We encourage the School to maintain complete and properly authorized voucher packets to support purchases made from all departments within the School.

Bad Debt Write-offs

We examined the listing of bad debt write-offs for the fiscal year in conjunction with a review of the general ledger activity for the bad debt expense account and noted that uncollectable accounts are reviewed and write-offs are made on an annual basis. Additionally, upon review of the Board minutes we noted that the write-offs were not authorized by the Board of Trustees. We recommend management review uncollectable accounts receivable on a monthly basis with the Board and obtain Board approval on all write-offs.

As expressed previously, these items are not critical in nature and are not deemed to be management letter comments. However, they have been provided for your consideration as a courtesy. Please do not hesitate to contact our office should you have any questions on this writing.

Very truly yours,

CUSACK & COMPANY, CPA'S LLC



Paul A. Cuda, CPA
Engagement Partner