

**NEW VISIONS CHARTER HIGH SCHOOL
FOR THE HUMANITIES**

FINANCIAL STATEMENTS

**PERIOD FROM DECEMBER 14, 2010
(DATE OF INCEPTION)
TO JUNE 30, 2012**

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
New Visions Charter High School for the Humanities

We have audited the accompanying statement of financial position of New Visions Charter High School for the Humanities (the "School") as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the period from December 14, 2010 (date of inception) through June 30, 2012. 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 audit.

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. 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 audit provides 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 New Visions Charter High School for the Humanities as of June 30, 2012 and the changes in its net assets and its cash flows for the period from December 14, 2010 (date of inception) through June 30, 2012, 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 29, 2012 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 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 on 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.

MBAF CPAs, LLC

New York, NY
October 29, 2012

An Independent Member of Baker Tilly International

MBAF CPAs, LLC, a registered certified public accounting firm

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New Visions Charter High School for the Humanities

STATEMENT OF FINANCIAL POSITION

June 30, 2012

Assets:		
Cash	\$	477,663
Cash - restricted		24,958
Grants receivable		398,597
Other receivables		231
Due from NYC Department of Education		12,534
Prepaid expenses and other assets		4,398
Property and equipment, net		29,997
Due from related entities		2,952
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Total Assets	\$	951,330
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Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	\$	220,109
Accrued salaries and other payroll related expenses		51,654
Due to related entities		122,235
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Total Liabilities		393,998
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Net assets - unrestricted		557,332
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Total Liabilities and Net Assets	\$	951,330
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The accompanying notes are an integral part of these financial statements.

New Visions Charter High School for the Humanities

STATEMENT OF ACTIVITIES

For the Period from Inception (December 14, 2010) to June 30, 2012

Operating revenue and support:	
State and local per pupil operating revenue	\$ 2,108,089
Government grants and contracts	518,469
Contributions and other grants	350,000
Interest income	5
In-kind	18,194
Total operating revenue and support	2,994,757
Expenses:	
Program services	1,929,132
Management and general	487,354
Fundraising	20,939
Total operating expenses	2,437,425
Change in net assets	557,332
Net assets - unrestricted - beginning of period	-
Net assets - unrestricted - end of period	\$ 557,332

The accompanying notes are an integral part of these financial statements.

New Visions Charter High School for the Humanities

STATEMENT OF FUNCTIONAL EXPENSES For the Period from Inception (December 14, 2010) to June 30, 2012

	Program Services	Management and General	Fundraising	Total Operating Expenses
Salaries	\$ 749,402	\$ 307,034	\$ -	\$ 1,056,436
Payroll taxes and employee benefits	208,867	62,706	-	271,573
Temporary staff	41,220	-	-	41,220
Instructional supplies and materials	68,824	-	-	68,824
Textbooks and library books	56,079	-	-	56,079
Student assessments	1,053	-	-	1,053
Accounting fees	-	6,500	-	6,500
Legal fees	15,967	3,001	-	18,968
In-kind legal services	9,982	2,495	-	12,477
Management fees	150,817	37,638	20,939	209,394
Professional fees	123,210	2,355	-	125,565
Staff recruitment	3,216	-	-	3,216
Student recruitment	12,200	-	-	12,200
Insurance	9,813	2,449	-	12,262
Student transportation	5,086	-	-	5,086
Student food services	4,398	-	-	4,398
Student uniforms	14,644	-	-	14,644
Office supplies	24,232	11,889	-	36,121
Telephone and internet	14,252	3,451	-	17,703
Bank fees	5,625	851	-	6,476
Facility expense	76,323	20,732	-	97,055
In-kind goods	4,517	1,200	-	5,717
Equipment maintenance	13,044	3,255	-	16,299
Technology infrastructure and software	277,817	16,943	-	294,760
Conferences and meetings	30,181	2,767	-	32,948
Depreciation and amortization	8,363	2,088	-	10,451
Total expenses	\$ 1,929,132	\$ 487,354	\$ 20,939	\$ 2,437,425

The accompanying notes are an integral part of these financial statements.

New Visions Charter High School for the Humanities

STATEMENT OF CASH FLOWS

For the Period from Inception (December 14, 2010) to June 30, 2012

Cash flows from operating activities:	
Change in net assets	\$ 557,332
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	10,451
Changes in operating assets and liabilities:	
Cash - restricted	(24,958)
Grants receivable	(398,597)
Other receivables	(231)
Due from NYC Department of Education	(12,534)
Due from related entities	(2,952)
Prepaid expenses and other assets	(4,398)
Accounts payable and accrued expenses	220,109
Accrued salaries and other payroll related expenses	51,654
Due to related entities	122,235
Net cash provided by operating activities	518,111
Cash flows from investing activities:	
Purchase of property and equipment	(40,448)
Net cash used in investing activities	(40,448)
Net increase in cash	477,663
Cash - beginning of period	-
Cash - end of period	\$ 477,663

The accompanying notes are an integral part of these financial statements.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS June 30, 2012

1. NATURE OF THE ORGANIZATION:

New Visions Charter High School for the Humanities (the "School") is a New York State, not-for-profit educational corporation that was incorporated on December 14, 2010 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School, led by the Board of Trustees, has received a charter from The Charter Schools Institute-State University of New York ("SUNY CSI") to operate a charter school in the State of New York pursuant to certain terms and conditions set forth in its approved Charter Application and Charter Agreement dated November 19, 2010. The School endeavors to extend equally to all students, regardless of their previous academic history, the highest quality education in an atmosphere of respect, responsibility, and safety.

The School is currently waiting to receive their tax exempt status from Federal income tax under section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3) of the IRC and a similar provision under New York State income tax laws. The School will be classified as an entity that is not a private foundation within the meaning of Section 509(a) of the IRC and will qualify for deductible contributions as provided in section 170(b)(1)(A)(ii) of the IRC.

In fiscal year 2012, the School operated classes for students in ninth grade.

The School shares space with a New York City public school and is not responsible for rent, utilities, custodial services, maintenance, and school safety.

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

2. SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation

The School's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the School's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Permanently Restricted – Net assets resulting from contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School.

Temporarily Restricted – Net assets resulting from contributions and other inflows of assets whose use by the School are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS June 30, 2012

in the statement of activities. However, if a restriction is fulfilled in the same period in which the contribution is received, the School reports the support as unrestricted.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

The School has no temporarily or permanently restricted net assets at June 30, 2012.

Cash

Included in cash is an escrow account of \$24,958, which is held aside for contingency purposes as required by SUNY-CSI.

Grants Receivable

Grants receivable represent unconditional promises to give by donors. Grants receivable are expected to be collected within one year, are recorded at net realizable value, and amount to \$398,597 at June 30, 2012. The School has determined that no allowance for uncollectible accounts is necessary at June 30, 2012. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

Revenue Recognition

Revenue is recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value.

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

The School receives a substantial portion of its support and revenue from the NYCDOE. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

Net Assets

Unrestricted net assets consist of revenues derived from government agencies, public contributions and other revenues for youth education. These net assets account for resources over which the Board of Trustees has discretionary control to use in carrying on the operations of the School.

Donated Goods and Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. Donated goods are recognized if the goods provide a benefit to the School and would have otherwise have been purchased. For the period ended June 30, 2012, \$5,717 of in-kind goods were

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS June 30, 2012

recognized.

One individual provided legal services to the School at no charge. The value of these services meets the criteria for recognition in the financial statements and was recorded at fair value of \$12,477 for the period ended June 30, 2012.

Premises provided by Government Authorities

The School does not record any in-kind contributions and related costs with respect to dedicated and shared space provided to it by the NYCDOE as the premises are temporary in nature, is excess shared space whereby a fair value cannot be determined, and is industry practice.

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment acquired with certain government funding are recorded as expenses pursuant to the terms of the contract in which ownership of such property and equipment is retained by the funding source. Maintenance and repairs are expensed as they occur. No depreciation is recorded on construction in progress until property and equipment is placed into service. Depreciation is provided on the straight line method over the estimated useful lives.

Furniture & office equipment	3 years
Computer equipment	3 years

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of the proportionate share of instructional expenses and management and general. Management and general expense includes those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The School has evaluated events through October 29, 2012, which is the date the financial statements were available to be issued.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Income Taxes

The School follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The School files an informational return in the United States federal jurisdiction. The School is subject to U.S. federal income tax examination by tax authorities for all fiscal years in which informational returns were filed.

The School believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

Should there be interest on underpayments of income tax, the School would classify it as "Interest Expense." The School would classify penalties in connection with underpayments of tax as "Other Expense."

3. GRANTS AND OTHER RECEIVABLES:

Grants and other receivables consist of federal and state entitlements and grants. The School expects to collect these receivables within one year.

School Improvement Grant	\$	126,839
DYCD Start up Grant		110,375
E-Rate Reimbursement		67,134
Charter School Planning Grant		41,130
Title I		50,235
Title II		2,884
Total	\$	398,597

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS June 30, 2012

4. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

June 30,	2012
Furniture and fixtures	\$ 9,045
Computer equipment	28,731
Software	6,472
	44,248
Less: accumulated depreciation and amortization	(10,451)
	<u>\$ 33,797</u>

Depreciation and amortization expense for the period ended June 30, 2012 was \$10,451.

5. RELATED PARTY TRANSACTIONS:

The School is an affiliate of New Visions for Public Schools ("New Visions"), a not-for-profit organization dedicated to supporting public schools and helping start and manage charter schools. Pursuant to the terms of the Educational Services Agreement by and between the School and New Visions dated July 22, 2011, New Visions shall provide educational management and operational services, and fundraising to the School. As compensation to New Visions for these services rendered, the School shall pay 8% of its gross revenues. Gross Revenue is defined as all such funding provided by the State, Federal, and Local government, but shall exclude any private grant funding awarded to the School.

The balance due to New Visions from the School at June 30, 2012 amounted to \$115,151. This amount is comprised of School expenses paid by New Visions on behalf of the School in the amount of \$36,487 and management fees of \$78,664. The entire amount due to New Visions was repaid subsequent to June 30, 2012. Total management fees incurred by the School for the period ended June 30, 2012 totaled \$209,394.

For operational efficiency and purchasing power, the School also shares expenses with three other charter schools related by common management. At June 30, 2012, the balance due to one of the charter schools was \$4,132. This amount was repaid subsequent to June 30, 2012.

6. PENSION PLAN:

The School maintains a pension plan qualified under Internal Revenue Code 403(b) plan (the "Plan") for the benefit of its eligible employees. The Plan is an elective contribution plan. Employees are eligible to enroll in the plan once they have completed at least 1 full year of service and completion of 1,000 work hours and are also eligible for discretionary employer contributions. The School's contribution becomes fully vested after the sixth year of the employees' service. Pension expense for the period ended June 30, 2012 was \$750 and is included in payroll taxes and employee benefits on the statement of functional expenses.

NEW VISIONS CHARTER HIGH SCHOOL FOR THE HUMANITIES

NOTES TO FINANCIAL STATEMENTS June 30, 2012

- 7. RISK MANAGEMENT:** The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance to protect itself from such risks.

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. 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.

- 8. CONCENTRATIONS:** Financial instruments that potentially subject the schools to a concentration of credit risk include cash accounts at a major financial institution that, at times, exceeded the Federal Deposit Insurance Corporation ("FDIC") insured limits. The FDIC has temporarily increased the limit to \$250,000.

The School received approximately 70% of its total revenue from per pupil funding from NYDOE during the period ended June 30, 2012.

The School's grants and other receivables exclusively consist of two major grantors accounting for approximately 59% for the period ended June 30, 2012.

The School's payables consist of two major vendors accounting for approximately 44% for the period ended June 30, 2012.

**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
New Visions Charter High School for the Humanities

We have audited the financial statements of New Visions Charter High School for the Humanities (the “School”) as of June 30, 2012 and for the period from December 14, 2010 (date of inception) to June 30, 2012, and have issued our report thereon dated October 29, 2012. 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 previously.

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*.

We noted certain matters that we reported to management of the School in a separate letter dated October 29, 2012.

This report is intended solely for the information and use of the audit committee, board of trustees, management, 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.

MBAF CPA, LLC

New York, NY
October 29, 2012