

KIPP TECH VALLEY CHARTER SCHOOL

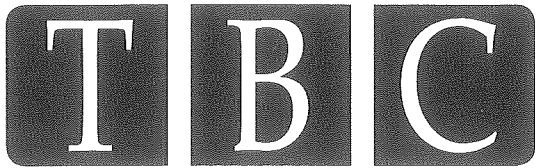
FINANCIAL REPORT

JUNE 30, 2012 AND 2011

KIPP TECH VALLEY CHARTER SCHOOL

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	6-11
<u>SUPPLEMENTAL INFORMATION</u>	<u>Schedule Number</u>
SCHEDULE OF FUNCTIONAL EXPENSES	I



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To The Board of Trustees of
KIPP Tech Valley Charter School
Albany, New York

Independent Auditors' Report

We have audited the accompanying statements of financial position of KIPP Tech Valley Charter School (a not-for-profit organization) as of June 30, 2012 and 2011, and the related statements of activities 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KIPP Tech Valley Charter School as of June 30, 2012 and 2011, 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 November 2, 2012, on our consideration of KIPP Tech Valley 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* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses on Schedule I 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 schedule of functional expenses is fairly stated in all material respects in relation to the financial statements as a whole.

Ted Beecher & Charamonte CPAs P.C.

Albany, New York
November 2, 2012

**KIPP TECH VALLEY CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011**

ASSETS

	<u>2012</u>	<u>2011</u>
Current Assets		
Cash	\$ 673,175	\$ 123,291
Due from school districts, net	596,102	512,828
State and federal aid receivable	175,529	160,384
Prepaid expenses	56,294	4,398
Total Current Assets	<u>1,501,100</u>	<u>800,901</u>
Plant, Equipment and Textbooks		
Equipment	279,780	264,473
Leasehold improvements	139,386	139,386
Textbooks	51,597	51,597
Total	<u>470,763</u>	<u>455,456</u>
Less accumulated depreciation and amortization	<u>(412,907)</u>	<u>(355,862)</u>
Net Plant, Equipment and Textbooks	<u>57,856</u>	<u>99,594</u>
TOTAL ASSETS	<u><u>\$ 1,558,956</u></u>	<u><u>\$ 900,495</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 110,645	\$ 157,176
Accrued expenses	117,137	128,164
Due to funding source	0	116,921
Total Current Liabilities	<u>227,782</u>	<u>402,261</u>
Unrestricted Net Assets	<u>1,331,174</u>	<u>498,234</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,558,956</u></u>	<u><u>\$ 900,495</u></u>

**KIPP TECH VALLEY CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Revenue		
Public School Districts		
Resident student enrollment	\$ 3,879,318	\$ 3,960,427
Students with disabilities	207,256	214,012
Grants		
Federal	360,301	379,936
State	5,762	5,661
Other	117,170	6,789
Total Revenue	<u>4,569,807</u>	<u>4,566,825</u>
Expenses		
Program Services		
Regular education	2,284,180	2,161,684
Special education	179,184	169,689
Other programs	545,030	512,111
Supporting Services		
Management and general	728,473	1,345,353
Total Expenses	<u>3,736,867</u>	<u>4,188,837</u>
Change in Unrestricted Net Assets	832,940	377,988
Unrestricted Net Assets, Beginning of Year	<u>498,234</u>	<u>120,246</u>
Unrestricted Net Assets, End of Year	<u><u>\$ 1,331,174</u></u>	<u><u>\$ 498,234</u></u>

**KIPP TECH VALLEY CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Change in unrestricted net assets	\$ 832,940	\$ 377,988
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	57,045	70,700
Bad debt expense	(263,330)	371,635
(Increase) decrease in assets:		
Due from school districts	180,056	(725,574)
State and federal aid receivable	(15,145)	(102,376)
Prepaid expenses	(51,896)	1,646
Increase (decrease) in liabilities:		
Accounts payable	(46,531)	19,225
Accrued expenses	(127,948)	21,501
Net Cash Provided By Operating Activities	<u>565,191</u>	<u>34,745</u>
Cash Flows For Investing Activities		
Expenditures for plant, equipment and textbooks	<u>(15,307)</u>	<u>(2,850)</u>
Net Increase in Cash	549,884	31,895
Cash, Beginning of Period	<u>123,291</u>	<u>91,396</u>
Cash, End of Period	<u><u>\$ 673,175</u></u>	<u><u>\$ 123,291</u></u>

See accompanying notes to financial statements.

**KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

1. ORGANIZATION, GOVERNANCE AND OPERATIONS

Organization

The KIPP Tech Valley Charter School ("the School") was organized in 2004 to operate a charter school pursuant to Article 56 of the New York State Education Law and in accordance with related charter agreements with the Board of Regents of the University of the State of New York ("State University"). During 2010, the State University renewed the School's provisional charter, for a term of five years with the provisional charter expiring in 2015.

During 2011-2012 the School's educational operations serving principally Albany, New York and surrounding areas had an annualized full time enrollment of 276 students in grades 5 through 8.

Governance and Operations

The School is governed by Board of Trustees in accordance with the School's by-laws. The School is a member of Knowledge is Power Program (KIPP) a network of nationally recognized private sector schools through a trademark license agreement with the KIPP Foundation. KIPP provides support and member services to the School to assist the School in fulfilling its mission of preparing all students for future opportunities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The School prepares its financial statements on the accrual basis of accounting and, accordingly, reflects all significant receivables, payables, and other liabilities, and recognizes revenue when earned and expense when incurred.

Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America, information regarding financial position and activities are reported according to three classes of net assets: unrestricted, temporarily restricted, or permanently restricted. There were no permanently restricted net assets for the years ended June 30, 2012 and 2011, respectively.

**KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor imposed restrictions.

The School reports grants of cash and other assets as restricted support if they are received with stipulations that limit their use. When a restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as Net Assets Released from Restrictions.

The School reports restricted grants as unrestricted support whenever the restrictions are met in the same year the grants are received.

Cash

For the purposes of reporting its cash flows, the School considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The School also follows the policy of maintaining its cash balances with high quality financial institutions.

Revenue Recognition

A substantial portion of the School's revenue and related receivables is derived from its arrangement with the Albany City School District, which reimburses the School based on per capita enrollment. These revenues are recognized ratably over the related school year during which they are earned.

Revenue from other governmental sources generally represents entitlement grants and is recognized as earned as allowable expenditures are incurred. Costs are subject to audit and changes, if any, are recognized in the year known.

Bad Debts

An allowance for uncollectible accounts has been provided in amounts considered to be appropriate, based primarily upon the School's past credit loss experience and an evaluation of potential losses in the receivables outstanding. The allowance for uncollectible accounts was \$75,000 and \$349,410 at June 30, 2012 and 2011, respectively.

**KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bad debt expenses (recoveries) were \$(263,330) and \$371,635 for the years ended June 30, 2012 and 2011, respectively.

Plant, Equipment and Textbooks

The School capitalizes expenditures for property and equipment in excess of \$500. Equipment and textbooks are stated at cost less accumulated depreciation. Depreciation is provided for, in amounts sufficient to relate the cost of depreciable assets to operations using the straight-line method over the assets estimated useful lives. Leasehold improvements are amortized over the life of the operating lease for the educational facilities. The following are the estimated useful lives used for depreciation and amortization:

	<u>Years</u>
Equipment	3-5
Textbooks	3
Leasehold improvements	7

Depreciation and amortization expense was \$57,045 and \$70,700 for the years ended June 30, 2012 and 2011, respectively.

Maintenance and repairs are charged to operations when incurred. When property, plant and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation accounts are relieved and any gain or loss is included in operations.

Income Taxes

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and the School is also exempt from state income tax. The School has been classified as a publicly-supported organization that is not a private foundation under Section 509(a) of the Code.

**KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Under Accounting Standard Codifications (ASC) Section 740, the tax-exempt status of a tax-exempt entity is an uncertain tax position, since events could potentially occur that jeopardize tax exempt status. Management is not aware of any events that could jeopardize tax exempt status. Therefore, no liability or provision for income tax has been reflected in the financial statements.

Forms 990 filed by the School are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Forms 990 filed by the School are no longer subject to examination for the fiscal years ended June 30, 2008, and prior.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Allocation of Expenses

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services using specific allocation methods. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the School.

Fair Value Instruments

Accounting principles generally accepted in the United States of America require disclosure of an estimate of fair value of certain financial instruments. The School's significant financial instruments are cash, accounts receivable and liabilities, and approximate fair value because of the short maturity of these instruments.

Public Relations

The School records public relations cost as expenses when they are incurred. Public relations expense was \$16,169 and \$13,187 for the years ended June 30, 2012 and 2011, respectively.

**KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The School has evaluated subsequent events through November 2, 2012 which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2012, have been incorporated into these financial statements.

3. GRANTS

Grant support and revenue represents the portion of the grants utilized for operations and to acquire equipment and textbooks. The School depends on grants for a portion of its support.

	<u>2012</u>	<u>2011</u>
	<u>Grant Receipts Expended</u>	<u>Grant Receipts Expended</u>
Federal Grants:		
Entitlement grants	\$150,947	\$ 192,030
Child Nutrition	156,854	144,476
Federal Investing in Innovation Grant	52,500	43,430
New York State Department of Education:		
Child Nutrition	<u>5,762</u>	<u>5,661</u>
Total Grant Support and Revenue	<u>\$366,063</u>	<u>\$ 385,597</u>

4. OPERATING LEASE

The School has entered into a lease agreement for the lease of educational facilities under an operating lease that expires on June 30, 2012. Monthly lease payments are \$37,500. In the event that any portion of the premises are leased to a co-tenant, the School shall only be responsible for paying its rent on a pro rata basis, based upon the School's occupied square footage. For the year ended June 30, 2012, 100% of the facility was leased by the School.

The School leases office equipment under non-cancelable operating leases that expires 2013 and 2015. Monthly lease payments are \$2,273.

Rent expense was \$491,791 and \$479,809 for the years ended June 30, 2012 and 2011. The minimum annual lease payments are as follows:

2013	\$ 26,873
2014	22,480
2015	20,606

**KIPP TECH VALLEY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

5. PLANT, EQUIPMENT AND TEXTBOOKS

The details of property, equipment and textbooks and accumulated depreciation for the years ended June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Equipment	\$ 279,780	\$ 264,473
Textbooks	51,597	51,597
Leasehold improvements	<u>139,386</u>	<u>139,386</u>
Total Property, Equipment and Textbooks	470,763	455,456
Accumulated depreciation and amortization	<u>(412,907)</u>	<u>(355,862)</u>
Net Property, Equipment and Textbooks	<u>\$ 57,856</u>	<u>\$ 99,594</u>

6. EMPLOYEE RETIREMENT PLAN

The School has a 403(b) tax-deferred annuity retirement plan, which is funded by contributions from both the School and its employees. The related expense for the years ended June 30, 2012 and 2011 was \$77,665 and \$49,218, respectively.

7. CONCENTRATION OF RISK

The School receives a substantial portion of its funding from school districts where the School's students reside. One School district constituted 78% and 80% of total revenue for the years ended June 30, 2012 and 2011, respectively. Receivable from this school district made up 61% of the total due from school districts as of June 30, 2012.

SUPPLEMENTAL INFORMATION

KIPP TECH VALLEY CHARTER SCHOOL
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)

	Program Services			Management and General	2012 Totals	2011 Totals
	Regular Education	Special Education	Other Programs			
Functional Expenses						
Personnel service	\$ 1,293,091	\$ 119,644	\$ -	\$ 583,589	\$ 1,996,324	\$ 1,868,686
Fringe benefits	273,995	25,352	-	123,657	423,004	431,723
Staff development	251	-	-	627	878	-
Travel	-	-	-	8,958	8,958	4,872
Telephone	-	-	-	27,788	27,788	25,285
Instructional supplies	76,527	4,710	319	-	81,556	75,396
Field trips	-	-	76,649	-	76,649	73,713
Food program	-	-	203,978	-	203,978	191,636
Legal	-	-	-	6,248	6,248	4,744
Accounting	-	-	-	21,535	21,535	24,115
Consultants	10,751	-	-	20,394	31,145	36,397
Board expenses	-	-	-	371	371	301
Office supplies and materials	-	-	-	50,322	50,322	28,644
Depreciation and amortization	47,798	2,278	2,900	4,069	57,045	70,700
Utilities	33,491	1,596	2,032	2,851	39,970	48,596
Lease						
Facilities	377,055	17,970	22,875	32,100	450,000	450,000
Equipment	20,896	-	-	20,895	41,791	29,809
Repairs and maintenance	93,951	4,478	5,700	7,998	112,127	113,203
Transportation	-	-	229,208	-	229,208	209,031
Insurance	22,562	1,075	1,369	8,996	34,002	34,700
Fundraising	-	-	-	-	-	-
Miscellaneous equipment	-	-	-	21,082	21,082	1,609
Recruitment	-	-	-	3,412	3,412	21,398
Student services	33,812	2,081	-	-	35,893	28,446
Public relations	-	-	-	16,169	16,169	13,187
Bad debts	-	-	-	(263,330)	(263,330)	371,635
Fees and licensing	-	-	-	30,742	30,742	31,011
Total Functional Expenses	\$ 2,284,180	\$ 179,184	\$ 545,030	\$ 728,473	\$ 3,736,867	\$ 4,188,837