

ELMWOOD VILLAGE CHARTER SCHOOL

**FINANCIAL STATEMENTS
WITH ADDITIONAL INFORMATION**

June 30, 2011

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Elmwood Village Charter School

We have audited the accompanying balance sheets of Elmwood Village Charter School (the School) as of June 30, 2011 and 2010 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 the 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 3, 2011 on our consideration of the School's internal control over financial reporting and 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 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.



October 3, 2011

ELMWOOD VILLAGE CHARTER SCHOOL

Balance Sheets

June 30,	2011	2010
Assets		
Current assets:		
Cash	\$ 1,736,837	\$ 1,089,860
Grants and other receivables (Note 2)	24,765	48,607
Prepaid expenses	48,926	58,992
	<u>1,810,528</u>	<u>1,197,459</u>
Property and equipment, net (Note 3)	<u>207,681</u>	<u>241,183</u>
	<u>\$ 2,018,209</u>	<u>\$ 1,438,642</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 5,534	\$ 5,429
Accounts payable	66,535	68,768
Accrued expenses	189,693	149,825
	<u>261,762</u>	<u>224,022</u>
Long-term debt (Note 5)	16,853	14,358
Net assets:		
Unrestricted	1,739,594	1,199,937
Temporarily restricted	-	325
	<u>1,739,594</u>	<u>1,200,262</u>
	<u>\$ 2,018,209</u>	<u>\$ 1,438,642</u>

See accompanying notes.

ELMWOOD VILLAGE CHARTER SCHOOL

Statements of Activities

For the years ended June 30,	2011	2010
Changes in unrestricted net assets:		
Support and revenue:		
Public school districts:		
Revenue - resident student enrollment	\$ 2,366,284	\$ 1,803,748
Revenue - students with disabilities	173,591	161,489
Federal grants	77,322	85,979
Contributions	9,766	4,125
Special event revenues, net of \$11,613 and \$8,474	20,940	18,957
Other income	16,247	26,404
Net assets released from restrictions	325	1,515
Total support and revenue	<u>2,664,475</u>	<u>2,102,217</u>
Expenses:		
Program expenses:		
Regular education	1,255,657	1,096,383
Special education	359,284	361,228
Other program	90,495	91,364
Supporting services:		
Management and general	419,382	429,515
Total expenses	<u>2,124,818</u>	<u>1,978,490</u>
Change in unrestricted net assets	539,657	123,727
Changes in temporarily restricted net assets:		
Contributions	-	325
Net assets released from restrictions	(325)	(1,515)
Change in temporarily restricted net assets	<u>(325)</u>	<u>(1,190)</u>
Change in net assets	539,332	122,537
Net assets - beginning	<u>1,200,262</u>	<u>1,077,725</u>
Net assets - ending	<u>\$ 1,739,594</u>	<u>\$ 1,200,262</u>

ELMWOOD VILLAGE CHARTER SCHOOL

Statements of Cash Flows

For the years ended June 30,	2011	2010
Operating activities:		
Change in net assets	\$ 539,332	\$ 122,537
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	59,087	55,978
Changes in other operating assets and liabilities:		
Grants and other receivables	23,842	(29,685)
Prepaid expenses	10,066	385
Accounts payable	(2,233)	34,452
Accrued expenses	39,868	15,524
Net operating activities	669,962	199,191
Investing activities:		
Property and equipment expenditures	(16,085)	(3,957)
Financing activities:		
Principal payments on long-term debt	(6,900)	(4,329)
Net change in cash	646,977	190,905
Cash - beginning	1,089,860	898,955
Cash - ending	\$ 1,736,837	\$ 1,089,860

See accompanying notes.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Organization and Purpose:

Elmwood Village Charter School (the School) operates a charter school in the City of Buffalo, New York (the City) approved by the New York State Education Department Board of Regents. The School currently offers classes from kindergarten through sixth grade. The School has been chartered through June 2015 and continued operations are contingent upon approval of its charter renewal.

Cash:

Cash in financial institutions potentially subjects the School to concentrations of credit risk, since it may exceed insured limits at various times throughout the year.

Accounts Receivable:

Accounts receivable are stated at the amounts management expects to collect from outstanding balances. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to bad debts expense and a credit to accounts receivable. An allowance for doubtful accounts is considered unnecessary by management because all significant amounts deemed uncollectible are written off each year.

Property and Equipment:

Property and equipment is stated at cost net of accumulated depreciation. Depreciation is provided over estimated asset service lives. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

Temporarily Restricted Net Assets:

Temporarily restricted net assets are those whose use by the School has been limited by donors to a specific purpose or time period. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets, and reported in the statement of activities as net assets released from restrictions.

Enrollment Fees:

The School is reimbursed based on the approved operating expense per pupil of the public school district in which the pupil resides. The amount received each year from the resident district is the product of the approved operating expense per pupil and the full time equivalent enrollment of the students in the Charter School residing in the district. The School's enrollment fees are received primarily from the City.

Fees and Grants:

The School is the recipient of awards and reimbursements from federal, state and local sources. The awards and reimbursements are subject to compliance and financial audits by the funding sources. Management believes no significant adjustments are necessary to recognized amounts.

Income Taxes:

The School is a 501(c)(3) organization exempt from taxation under Section 501(a) of the Internal Revenue Code.

Management believes that the School is no longer subject to examination by federal and state taxing authorities for years prior to 2008.

Subsequent Events:

The School has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 3, 2011 (the date the financial statements were available to be issued).

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cost Allocation:

The School's costs of providing its various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. Grants and Other Receivables:

	2011	2010
Grants	\$ 9,815	\$ 40,018
Other	14,950	8,589
	<u>\$ 24,765</u>	<u>\$ 48,607</u>

3. Property and Equipment:

	2011	2010
Leasehold improvements	\$ 138,257	\$ 138,257
Instructional equipment	214,254	201,466
Office equipment	64,037	56,041
	<u>416,548</u>	<u>395,764</u>
Less accumulated depreciation	208,867	154,581
	<u>\$ 207,681</u>	<u>\$ 241,183</u>

Subsequent to June 30, 2011, the School entered into an agreement to purchase a building from the City for \$550,000 to relocate and expand the school.

4. Short-Term Borrowings:

The School has available a \$150,000 unsecured bank demand line of credit with interest payable at prime plus 1%. The line is subject to the usual terms and conditions applied by the bank for working capital financing, and is annually reviewed and renewed. There were no borrowings on this line at June 30, 2011 and 2010.

5. Long Term Debt

	2011	2010
Equipment loans, varying monthly installments, interest ranging from 5% to 17.375%, secured by related equipment, due February 2014 through September 2015.	\$ 22,387	\$ 19,787
Less current portion	5,534	5,429
	<u>\$ 16,853</u>	<u>\$ 14,358</u>

Aggregate maturities on long-term debt subsequent to June 30, 2011 are:

2012	\$ 5,534
2013	6,771
2014	6,221
2015	3,287
2016	574
	<u>\$ 22,387</u>

6. Contingencies:

The School is subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, these claims and lawsuits will not have a material adverse effect upon the financial position of the School.

7. Retirement Plan:

The School participates in the New York State Teachers' Retirement System (TRS) which is a cost-sharing multiple employer, public employee retirement system. TRS offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

TRS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined between July 1976 and December 2009. Participants hired on or after January 1, 2010 are required to contribute 3.5% of compensation throughout their active membership in TRS. No employee contribution is required for those hired prior to July 1976. Pursuant to Article 11 of the Education Law, an actuarially determined contribution rate is established annually by the New York State Teachers' Retirement Board. The rate is 8.62% of the annual covered payroll for the year ended June 30, 2011, and 6.19% for the year ended June 30, 2010.

The School's required contributions for the years ended June 30, 2011 and 2010 were \$68,461 and \$45,355.

8. Operating Lease:

The School leases property under the terms of a non-cancelable operating lease. Rental expense was \$228,634 and \$234,507 for the years ended June 30, 2011 and 2010.

Future minimum annual rentals due are:

2012	\$ 241,100
2013	241,100
2014	241,100
2015	241,100
2016	241,100
Thereafter	<u>2,771,500</u>
	<u>\$ 3,977,000</u>

9. Cash Flows Information

Noncash investing and financing activities excluded from the 2011 and 2010 statements of cash flows include \$9,500 and \$7,411 of equipment acquired through long-term debt financing.

**INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION**

The Board of Trustees
Elmwood Village Charter School

Our report on our audits of the basic financial statements of Elmwood Village Charter School for 2011 and 2010 appears on page 1. Those audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on page 9 is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Lumsden & McCormick, LLP

October 3, 2011

Additional Information
Schedule of Expenses

For the year ended June 30, 2011 (with comparative totals for 2010)

	2011					2010
	Regular Education	Special Education	Other Program	Management and General	Total	Total
Salaries	\$ 667,671	\$ 172,561	\$ 54,180	\$ 145,482	\$ 1,039,894	\$ 945,990
Employee benefits and taxes	202,459	52,326	16,429	44,115	315,329	259,732
Advertising	-	-	-	779	779	731
Contracted services	32,280	75,927	-	18,607	126,814	147,060
Dues and subscriptions	1,851	478	151	403	2,883	3,272
Fieldtrips	13,290	-	-	-	13,290	-
Insurance	-	-	-	33,285	33,285	37,471
Interest	-	-	-	2,868	2,868	2,670
Occupancy	146,796	37,940	11,912	31,986	228,634	234,507
Postage	-	-	-	2,110	2,110	2,183
Student activities	786	-	-	-	786	11,771
Printing	-	-	-	664	664	1,261
Supplies and materials	16,297	-	-	-	16,297	10,792
Office expense	-	-	-	11,934	11,934	9,991
Other expenses	-	-	-	6,411	6,411	5,543
Payroll processing	-	-	-	-	-	1,609
Professional fees	-	-	-	91,643	91,643	129,064
Recruitment	-	-	-	2,846	2,846	-
Repairs and maintenance	26,817	6,931	2,176	5,843	41,767	34,403
Staff development	7,476	-	-	-	7,476	5,389
Technology	26,435	-	-	-	26,435	17,362
Telephone	3,789	979	307	826	5,901	5,621
Testing and assessments	10,976	-	-	-	10,976	-
Textbooks	29,315	-	-	-	29,315	13,143
Travel	266	-	-	-	266	273
Utilities	30,259	7,820	2,456	6,593	47,128	42,674
	1,216,763	354,962	87,611	406,395	2,065,731	1,922,512
Depreciation	38,894	4,322	2,884	12,987	59,087	55,978
Total	\$ 1,255,657	\$ 359,284	\$ 90,495	\$ 419,382	\$ 2,124,818	\$ 1,978,490

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*

The Board of Trustees
Elmwood Village Charter School

We have audited the financial statements of Elmwood Village Charter School (the School) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 3, 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

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 would not necessarily 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 the Board of Trustees, management, New York State Department of Education, federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

Suzman & McCormick, LLP

October 3, 2011