

ELMWOOD VILLAGE CHARTER SCHOOL

**FINANCIAL STATEMENTS
WITH ADDITIONAL INFORMATION**

June 30, 2009

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Elmwood Village Charter School
Buffalo, New York

We have audited the accompanying balance sheets of Elmwood Village Charter School (the School) as of June 30, 2009 and 2008 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 with 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, 2009 and 2008, 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 14, 2009 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 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.



October 14, 2009

ELMWOOD VILLAGE CHARTER SCHOOL

Balance Sheets

June 30,	2009	2008
Assets		
Current assets:		
Cash	\$ 898,955	\$ 474,311
Grants and other receivables (Note 2)	18,922	36,693
Prepaid expenses	59,377	70,667
	977,254	581,671
Property and equipment, net (Note 3)	285,793	238,399
	\$ 1,263,047	\$ 820,070
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 3,668	\$ 5,465
Accounts payable	34,316	47,363
Accrued expenses	134,301	117,362
	172,285	170,190
Long-term debt (Note 5)	13,037	4,840
Net assets:		
Unrestricted	1,076,060	645,040
Temporarily restricted	1,665	-
	1,077,725	645,040
	\$ 1,263,047	\$ 820,070

ELMWOOD VILLAGE CHARTER SCHOOL

Statements of Activities

For the years ended June 30,	2009	2008
Changes in unrestricted net assets:		
Support and revenue:		
Public school districts:		
Revenue - resident student enrollment	\$ 1,777,797	\$ 1,421,907
Revenue - students with disabilities	136,866	91,543
Federal grants	256,096	206,318
Private grants	-	2,750
Contributions	4,880	9,583
Special event revenues, net of \$4,922 and \$1,140 expenses	16,611	2,112
Other income	15,715	16,040
Total support and revenue	<u>2,207,965</u>	<u>1,750,253</u>
Expenses:		
Program expenses:		
Regular education	952,972	1,015,338
Special education	50,483	51,957
Other program	456,913	174,521
Supporting services:		
Management and general	316,577	307,982
Total expenses	<u>1,776,945</u>	<u>1,549,798</u>
Increase in unrestricted net assets	431,020	200,455
Changes in temporarily restricted net assets:		
Contributions	<u>1,665</u>	-
Increase in net assets	432,685	200,455
Net assets - beginning	<u>645,040</u>	444,585
Net assets - ending	<u>\$ 1,077,725</u>	\$ 645,040

See accompanying notes.

Statements of Cash Flows

For the years ended June 30,	2009	2008
Cash flows from operating activities:		
Increase in net assets	\$ 432,685	\$ 200,455
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Depreciation	55,982	31,309
Changes in other operating assets and liabilities:		
Grants and other receivables	17,771	186,753
Prepaid expenses	11,290	(11,767)
Accounts payable	(13,047)	(82,585)
Accrued expenses	16,939	39,703
Net cash flows from operating activities	521,620	363,868
Cash flows from investing activities:		
Property and equipment expenditures	(89,376)	(73,954)
Return of property and equipment	-	106,714
Net cash flows from (for) investing activities	(89,376)	32,760
Cash flows from financing activities		
Proceeds from long-term debt	-	15,867
Principal payments on long-term debt	(7,600)	(5,562)
Net cash flows from (for) financing activities	(7,600)	10,305
Net increase in cash	424,644	406,933
Cash - beginning	474,311	67,378
Cash - ending	\$ 898,955	\$ 474,311

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 2011 at which time the charter may be renewed, upon application, for five more years.

Subsequent Events:

The School has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 14, 2009 (the date the financial statements were available to be issued).

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 source. 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 2006.

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 statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. Grants and Other Receivables:

	2009	2008
Grants	\$ 4,793	\$ 35,939
Other	14,129	754
	<u>\$ 18,922</u>	<u>\$ 36,693</u>

3. Property and Equipment:

	2009	2008
Leasehold improvements	\$ 136,107	\$ 119,593
Instructional equipment	199,659	125,331
Office equipment	48,630	43,227
	<u>384,396</u>	<u>288,151</u>
Less accumulated depreciation	98,603	49,752
	<u>\$ 285,793</u>	<u>\$ 238,399</u>

4. Short-Term Borrowings:

The School has available a \$160,000 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, 2009 and 2008.

5. Long Term Debt

	2009	2008
Equipment loans, varying monthly installments, interest ranging from 9% to 17.375%, secured by related equipment, due from August 2011 through February 2014	\$ 16,705	\$ 10,305
Less current portion	3,668	5,465
	<u>\$ 13,037</u>	<u>\$ 4,840</u>

Aggregate maturities on long-term debt subsequent to June 30, 2009 are:

2010	\$ 3,668
2011	4,058
2012	3,189
2013	3,471
2014	2,319
	<u>\$ 16,705</u>

6. 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.

New York State Teachers' Retirement System:

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.

Funding Policies:

TRS is noncontributory except for employees who joined after July 27, 1976 who contribute 3% of their salary. Pursuant to Article 11 of the Education Law, rates are established annually by the New York State Teachers' Retirement Board at an actuarially determined rate. The rate is 7.63% of the annual covered payroll for the year ended June 30, 2009 and 8.73% for the year ended June 30, 2008.

The School's required contributions for the years ended June 30, 2009 and 2008 were \$48,433 and \$44,271.

7. Operating Lease:

The School leases property under the terms of a non-cancelable operating lease. Rental expense was \$232,911 and \$224,401 for the years ended June 30, 2009 and 2008.

Future minimum annual rentals due are:

2010	\$	216,900
2011		216,900
2012		241,100
2013		241,100
2014		241,100
Thereafter		<u>3,253,700</u>
	\$	<u>4,410,800</u>

8. Cash Flows Information

Noncash investing and financing activities excluded from the 2009 statement of cash flows include \$14,000 of equipment acquired through long-term debt financing.

**INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION**

The Board of Trustees
Elmwood Village Charter School
Buffalo, New York

Our report on our audits of the basic financial statements of Elmwood Village Charter School for 2009 and 2008 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 14, 2009

Additional Information
Schedule of Expenses

For the year ended June 30, 2009 (with comparative totals for 2008)

	2009				2008	
	Regular Education	Special Education	Other Program	Management and General	Total	Total
Salaries	\$ 441,065	\$ 28,234	\$ 255,515	\$ 103,166	\$ 827,980	\$ 660,855
Employee benefits and taxes	124,983	8,001	72,404	29,233	234,621	176,042
Advertising	-	-	-	2,912	2,912	958
Contracted services	42,302	-	-	34,756	77,058	57,104
Dues and subscriptions	1,429	91	828	334	2,682	7,392
Insurance	-	-	-	23,569	23,569	19,293
Interest	897	57	520	210	1,684	1,327
Occupancy	124,072	7,942	71,876	29,021	232,911	224,401
Postage	-	-	-	1,712	1,712	1,144
Student activities	17,891	-	-	-	17,891	9,308
Printing	523	33	304	122	982	1,100
Supplies and materials	25,763	-	-	-	25,763	59,660
Office expense	1,423	-	-	7,239	8,662	17,148
Other expenses	1,707	109	989	400	3,205	109,268
Payroll processing	791	51	458	184	1,484	1,257
Professional fees	-	-	-	61,910	61,910	58,665
Repairs and maintenance	19,341	1,235	11,205	4,524	36,305	28,470
Staff development	8,690	556	5,035	2,033	16,314	8,295
Technology	40,059	-	-	-	40,059	3,417
Telephone	3,251	208	1,883	760	6,102	5,045
Textbooks	36,820	-	-	-	36,820	12,589
Travel	5,206	333	3,015	1,217	9,771	5,128
Utilities	26,937	1,724	15,605	6,300	50,566	50,623
	923,150	48,574	439,637	309,602	1,720,963	1,518,489
Depreciation	29,822	1,909	17,276	6,975	55,982	31,309
Total	\$ 952,972	\$ 50,483	\$ 456,913	\$ 316,577	\$ 1,776,945	\$ 1,549,798