

ELMWOOD VILLAGE CHARTER SCHOOL

**FINANCIAL STATEMENTS
WITH ADDITIONAL INFORMATION**

June 30, 2010

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, 2010 and 2009 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, 2010 and 2009, 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 September 11, 2010 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.



September 11, 2010

ELMWOOD VILLAGE CHARTER SCHOOL

Balance Sheets

June 30,	2010	2009
Assets		
Current assets:		
Cash	\$ 1,089,860	\$ 898,955
Grants and other receivables (Note 2)	48,607	18,922
Prepaid expenses	58,992	59,377
	<u>1,197,459</u>	<u>977,254</u>
Property and equipment, net (Note 3)	<u>241,183</u>	<u>285,793</u>
	<u>\$ 1,438,642</u>	<u>\$ 1,263,047</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 5,429	\$ 3,668
Accounts payable	68,768	34,316
Accrued expenses	149,825	134,301
	<u>224,022</u>	<u>172,285</u>
Long-term debt (Note 5)	14,358	13,037
Net assets:		
Unrestricted	1,199,787	1,076,060
Temporarily restricted	475	1,665
	<u>1,200,262</u>	<u>1,077,725</u>
	<u>\$ 1,438,642</u>	<u>\$ 1,263,047</u>

See accompanying notes.

ELMWOOD VILLAGE CHARTER SCHOOL

Statements of Activities

For the years ended June 30,	2010	2009
Changes in unrestricted net assets:		
Support and revenue:		
Public school districts:		
Revenue - resident student enrollment	\$ 1,803,748	\$ 1,777,797
Revenue - students with disabilities	161,489	136,866
Federal grants	85,979	256,096
Contributions	4,125	4,880
Special event revenues, net of \$8,474 and \$4,922	18,957	16,611
Other income	26,404	15,715
Net assets released from restriction	1,515	-
Total support and revenue	<u>2,102,217</u>	<u>2,207,965</u>
Expenses:		
Program expenses:		
Regular education	1,096,383	1,132,178
Special education	361,228	235,838
Other program	91,364	84,595
Supporting services:		
Management and general	429,515	324,334
Total expenses	<u>1,978,490</u>	<u>1,776,945</u>
Change in unrestricted net assets	123,727	431,020
Changes in temporarily restricted net assets:		
Contributions	325	1,665
Net assets released from restrictions	(1,515)	-
Change in temporarily restricted net assets	<u>(1,190)</u>	<u>1,665</u>
Change in net assets	122,537	432,685
Net assets - beginning	<u>1,077,725</u>	<u>645,040</u>
Net assets - ending	<u>\$ 1,200,262</u>	<u>\$ 1,077,725</u>

ELMWOOD VILLAGE CHARTER SCHOOL

Statements of Cash Flows

For the years ended June 30,	2010	2009
Operating activities:		
Change in net assets	\$ 122,537	\$ 432,685
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	55,978	55,982
Changes in other operating assets and liabilities:		
Grants and other receivables	(29,685)	17,771
Prepaid expenses	385	11,290
Accounts payable	34,452	(13,047)
Accrued expenses	15,524	16,939
	199,191	521,620
Investing activities:		
Property and equipment expenditures	(3,957)	(89,376)
Financing activities:		
Principal payments on long-term debt	(4,329)	(7,600)
	190,905	424,644
Cash - beginning	898,955	474,311
Cash - ending	\$ 1,089,860	\$ 898,955

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 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 September 11, 2010 (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 2007.

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.

Reclassifications:

The 2009 financial statements have been reclassified to conform with the presentation adopted for 2010.

2. Grants and Other Receivables:

	2010	2009
Grants	\$ 40,018	\$ 4,793
Other	8,589	14,129
	<u>\$ 48,607</u>	<u>\$ 18,922</u>

3. Property and Equipment:

	2010	2009
Leasehold improvements	\$ 138,257	\$ 136,107
Instructional equipment	201,466	199,659
Office equipment	56,041	48,630
	<u>395,764</u>	<u>384,396</u>
Less accumulated depreciation	154,581	98,603
	<u>\$ 241,183</u>	<u>\$ 285,793</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, 2010 and 2009.

5. Long Term Debt

	2010	2009
Equipment loans, varying monthly installments, interest ranging from 5% to 17.375%, secured by related equipment, due from August 2011 through February 2015.	\$ 19,787	\$ 16,705
Less current portion	5,429	3,668
	<u>\$ 14,358</u>	<u>\$ 13,037</u>

Aggregate maturities on long-term debt subsequent to June 30, 2010 are:

2011	\$ 5,429
2012	4,628
2013	4,985
2014	3,912
2015	833
	<u>\$ 19,787</u>

6. Contingencies:

The School is involved in various legal proceedings which, in the opinion of management, 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.

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 6.19% of the annual covered payroll for the year ended June 30, 2010, and 7.63% for the year ended June 30, 2009.

The School's required contributions for the years ended June 30, 2010 and 2009 were \$45,355 and \$48,433.

8. Operating Lease:

The School leases property under the terms of a non-cancelable operating lease. Rental expense was \$234,507 and \$232,911 for the years ended June 30, 2010 and 2009.

Future minimum annual rentals due are:

2011	\$	216,900
2012		216,900
2013		241,100
2014		241,100
2015		241,100
Thereafter		3,253,700
	\$	<u>4,410,800</u>

9. Cash Flows Information

Noncash investing and financing activities excluded from the 2010 and 2009 statements of cash flows include \$7,411 and \$14,000 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 2010 and 2009 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.



September 11, 2010

Additional Information
Schedule of Expenses

For the year ended June 30, 2010 (with comparative totals for 2009)

	2010				Total	2009 Total
	Regular Education	Special Education	Other Program	Management and General		
Salaries	\$ 589,801	\$ 176,560	\$ 56,309	\$ 123,320	\$ 945,990	\$ 827,980
Employee benefits and taxes	161,936	48,476	15,460	33,860	259,732	234,621
Advertising	-	-	-	731	731	2,912
Contracted services	42,302	67,850	-	36,908	147,060	77,058
Dues and subscriptions	2,040	611	195	426	3,272	2,682
Insurance	-	-	-	37,471	37,471	23,569
Interest	-	-	-	2,670	2,670	1,684
Occupancy	146,209	43,768	13,959	30,571	234,507	232,911
Postage	-	-	-	2,183	2,183	1,712
Student activities	11,771	-	-	-	11,771	17,891
Printing	786	235	75	165	1,261	982
Supplies and materials	10,792	-	-	-	10,792	25,763
Office expense	-	2,800	-	7,191	9,991	8,662
Other expenses	3,456	1,035	330	722	5,543	3,205
Payroll processing	-	-	-	1,609	1,609	1,484
Professional fees	-	-	-	129,064	129,064	61,910
Repairs and maintenance	21,449	6,421	2,048	4,485	34,403	36,305
Staff development	5,389	-	-	-	5,389	16,314
Technology	17,362	-	-	-	17,362	40,059
Telephone	3,505	1,049	335	732	5,621	6,102
Textbooks	13,143	-	-	-	13,143	36,820
Travel	170	51	16	36	273	9,771
Utilities	26,606	7,965	2,540	5,563	42,674	50,566
	1,056,717	356,821	91,267	417,707	1,922,512	1,720,963
Depreciation	39,666	4,407	97	11,808	55,978	55,982
Total	\$ 1,096,383	\$ 361,228	\$ 91,364	\$ 429,515	\$ 1,978,490	\$ 1,776,945