

WESTERN NEW YORK MARITIME CHARTER SCHOOL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

WESTERN NEW YORK MARITIME CHARTER SCHOOL
FOR THE YEAR ENDED JUNE 30, 2009
TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	5
Financial Statements	
Statement of Financial Position	8
Statement of Activities	9
Statement of Cash Flows	10
Notes to the Financial Statements	11
Supplemental Information	
Schedule of Functional Expenses	14
Compliance and Internal Control	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16

THIS PAGE LEFT INTENTIONALLY BLANK

R.A. MERCER & CO., P.C.

Certified Public Accountants
6455 Lake Avenue
Orchard Park, New York 14127
(716)675-4270 Fax (716)675-4272
www.ramercer CPA.com

Raymond A. Mercer, CPA, 1931-1983

Cathie J. Bridges, CPA *
Kenneth S. Frank, CPA
Roger J. Lis, Jr., CPA *
Kathryn A. Larracuente, CPA
Julie L. Jagoda, CPA
Denise D. Veloski, CPA

Robert W Irwin, CPA *

* Also Licensed in Pennsylvania

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Western New York Maritime Charter School
Buffalo, New York

We have audited the accompanying statement of financial position of Western New York Maritime Charter School as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Western New York Maritime Charter 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 the 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 Western New York Maritime Charter School as of June 30, 2009, and the changes in its net assets and its cash flows for the year 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 8, 2009, on our consideration of Western New York Maritime 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 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 important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Western New York Maritime Charter School taken as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Orchard Park, New York
October 8, 2009

R.A. MERCER & CO, P.C.
R.A. Mercer & Co., P.C.

THIS PAGE LEFT INTENTIONALLY BLANK

FINANCIAL STATEMENTS

WESTERN NEW YORK MARITIME CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS

Cash	\$ 29,113
Grants and Other Receivables	101,304
Prepaid Expenses	73,932
Deposits	73,833
Property and Equipment, net	<u>635,509</u>
 Total Assets	 <u>\$ 913,691</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Lease Payable	\$ 51,828
Accounts Payable	98,133
Deferred Revenue	2,950
Accrued Expenses	<u>399,405</u>
Total Liabilities	<u>552,316</u>
 Net Assets:	
Unrestricted	347,895
Temporarily Restricted	<u>13,480</u>
Total Net Assets	<u>361,375</u>
 Total Liabilities and Net Assets	 <u>\$ 913,691</u>

See accompanying notes to financial statements.

**WESTERN NEW YORK MARITIME CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Unrestricted Net Assets:

Revenue, Gains and Other Support

Public School District:

Revenue - Resident Student Enrollment	\$ 3,159,832
- Special Education	510,009
Contributions	119,963
Fundraising	21,405
Other Income	36,701
Net Assets Released from Restrictions	<u>345,987</u>
Total Revenue, Gains and Other Support	<u>4,193,897</u>

Expenses

Program Expenses:

Regular Education	2,498,568
Special Education	323,865
Other Program	189,643

Supporting Services:

Management and General	<u>945,095</u>
------------------------	----------------

Total Expenses:	<u><u>3,957,171</u></u>
-----------------	-------------------------

Change in Unrestricted Net Assets	<u><u>236,726</u></u>
--	-----------------------

Changes in Temporarily Restricted Net Assets

Federal and State Grants	345,273
Net Assets Released from Restrictions	<u>(345,987)</u>
Change in Temporarily Restricted Net Assets	<u><u>(714)</u></u>

Change in Net Assets	236,012
-----------------------------	---------

Net Assets - Beginning	<u>125,363</u>
------------------------	----------------

Net Assets - Ending	<u><u>\$ 361,375</u></u>
---------------------	--------------------------

See accompanying notes to financial statements.

WESTERN NEW YORK MARITIME CHARTER SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

Cash Flows From Operating Activities

Change in Net Assets	\$ 236,012
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	131,843
Increase in receivables	(19,674)
Increase in prepaid expense and deposits	(16,742)
Decrease in accounts payable and accrued expenses	<u>(111,993)</u>
Net cash flows provided by operating activities	<u>219,446</u>

Cash Flows Provided by Investing Activities

Purchase of Property and Equipment	<u>(181,392)</u>
Net cash used by investing activities	<u>(181,392)</u>

Cash Flows from Financing Activities

Decrease in Line of Credit	<u>(95,000)</u>
Net cash used by financing activities	<u>(95,000)</u>

Net Increase in Cash and Cash Equivalents	(56,946)
Cash and Cash Equivalents - Beginning of Year	<u>86,058</u>
Cash and Cash Equivalents - End of Year	<u>\$ 29,112</u>

Supplemental disclosures:

Cash paid for interest:	<u>\$ 6,391</u>
-------------------------	-----------------

See accompanying notes to financial statements.

**WESTERN NEW YORK MARITIME CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Note 1. Summary of Significant Accounting Policies

Organization and Description of Activities

On January 12, 2004, the Board of Regents of the University of the State of New York granted a five year provisional charter to the Western New York Maritime Charter School (the School) to operate as an education corporation under New York law. On December 16, 2008 the Board of Regents approved the renewal application effective January 12, 2009 through June 30, 2012. Prior to the end of the current renewal, Western New York Maritime Charter School will re-apply to the Board of Regents for a renewal of their charter.

Charter schools receive state and federal public school funding and must meet all the same state and federal testing and learning requirements as public schools, yet they operate independently of the local school district, serving as their own local education agency.

Western New York Maritime Charter School is governed by an eleven member, uncompensated Board of Directors and has 303 students in ninth through twelfth grades.

Western New York Maritime Charter School is a charter member of the U.S. Navy Junior Reserve Officers Training Corps Program.

Accrual Basis

The financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

The School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents which are included as cash in the accompanying financial statements.

At various times, cash and cash equivalents in financial institutions may exceed insured limits and subject the School to concentrations of credit risk.

Property, Equipment and Leasehold Improvements

Purchased property and equipment are recorded at cost and depreciation is provided for using the straight-line method over estimated useful lives. Leasehold improvements are capitalized at cost and are being amortized over their estimated useful lives.

Generally, equipment which has a cost in excess of \$500 at the date of acquisition and has an expected useful life of five years is capitalized.

Income Taxes

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

Support and Revenue

The School receives NYS per pupil aid which is passed through the district in which the student resides. Most of the students reside in the Buffalo Public School District. New York State Education Department mandates the rate per pupil. For the year ended June 30, 2009 the per pupil rate was \$10,429 for Buffalo Public School district.

Contributions and grants are reported at fair value at the date the contribution/grant is made. A contribution or grant that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the

restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Gifts of goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used, in which case they are recorded as restricted support.

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 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. Estimates and assumptions are made in a variety of areas, including useful lives of long lived assets.

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.

Note 2. Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable and current liabilities approximates fair value because of the short maturity of these instruments.

Note 3. Property and Equipment

Property and equipment consists of the following:

Building Improvements	\$ 409,879
Office and Other Equipment	152,616
Instructional Equipment	<u>518,008</u>
	1,080,503
Less Accumulated Depreciation	<u>444,994</u>
Property and Equipment, Net	<u>\$ 635,509</u>

Note 4. Federal and State Grants

The School has received grants which are subject to audit by agencies of the state and federal government. Such audits may result in disallowances and a request for a return of funds. The school believes that disallowances, if any will not be material.

Note 5. Line of Credit

The School has a \$100,000 line of credit with a local bank with interest payable at 1.5% above the bank's prime rate. This is a demand note and substantially all of the School's assets are secured under the loan. At June 30, 2009 the interest rate was 4.75% and the balance outstanding was \$0.

Note 6. Temporarily Restricted Net Assets

At June 30, 2009 the School's Temporarily Restricted Net Assets were restricted for the following purposes:

Sailing Program	\$5,515
Scholarships	510
Facilities	<u>7,455</u>
	<u>\$13,480</u>

Note 7. Operating Lease

The School has entered into a lease for its facilities effective April 1, 2005. The lease term is for a fifteen year period expiring March 31, 2020. There are two five year renewal options at escalating rent rates. The lease calls for a security deposit of \$28,833, and a special additional security deposit of \$100,000 by August 1, 2005. The total amount of the deposit at June 30, 2009 is \$73,833, of which \$28,833 is the initial security deposit and \$45,000 is the flexible security deposit. The flexible deposit will be returned to the School at the end of the third year, if it is paid pursuant to the terms prescribed in the lease.

Pursuant to a Memorandum dated August 7, 2009 between the School and the landlord, the School has released the landlord from its obligation to repay the security deposit in the amount of \$10,000 per year with the first installment due in fiscal year June 30, 2010 without pro rata adjustment until the security deposit is exhausted, in exchange for expanded use of the facility.

The School has agreed to pay for the demolition costs of 290 Genesee Street in the amount of \$25,700. Western New York Maritime Charter School will use the additional space as an athletic field, with the option to erect a gymnasium or similar building as long as the footprint does not decrease the paved parking area currently in use.

The following is a schedule by years of future minimum rental payments required under the operating lease that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2009.

Year ended 6/30/2010	\$ 602,877
6/30/2011	617,953
6/30/2012	633,402
6/30/2013	649,234
6/30/2014	665,472
Thereafter	4,163,781

The School leases three copiers under the terms of various non-cancelable leases. Rental expense for the year was \$ 6,735.

Minimum annual rentals for each of the remaining years of the lease are:

Year ended 6/30/2010	\$ 7,072
6/30/2011	8,988
6/30/2012	11,219
6/30/2013	14,015
6/30/2014	10,534

Note 8. Pension Plan

Western New York Maritime Charter School participates in the New York State Teachers' Retirement System (NYSTRS). This system is a cost sharing multiple employer, public employee retirement system. The system 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.

The New York State Teachers' Retirement Board administers NYSTRS. The System 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. NYSTRS 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.

The System is noncontributory, except for employees who joined the System after July 27, 1976, who contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The charter school is required to contribute at an actuarially determined rate. The School's contributions made to the System were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

2009	\$ 127,446
2008	\$ 153,459
2007	\$ 128,773

WESTERN NEW YORK MARITIME CHARTER SCHOOL
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	Program Services			Supporting Services		Total
	Regular Education	Special Education	Other Program	Management & General		
Salaries	\$ 1,175,406	212,684	107,950	544,905		2,040,945
Payroll Taxes	102,371	18,523	9,402	47,458		177,754
Employee Benefits	228,572	41,359	20,992	105,963		396,886
Educational Materials	8,594	-	-	-		8,594
Classroom paper and supplies	6,823	-	-	-		6,823
Technology	53,212	-	-	-		53,212
Field Trips	947	-	-	-		947
Military Events	12,733	-	-	-		12,733
Student Activities	8,961	-	-	-		8,961
Uniforms	26,785	-	-	-		26,785
Athletic Department	14,690	-	-	-		14,690
Student Services	1,575	-	-	-		1,575
Awards and Scholarships	10,000	-	-	-		10,000
Transportation	9,765	-	-	-		9,765
Conferences	9,046	-	-	-		9,046
Food Service	2,784	-	-	-		2,784
Student Testing and Assessment	2,254	-	-	-		2,254
Staff Development	18,006	-	-	-		18,006
Consultants	4,400	1,100	1,100	38,550		45,150
Recruitment	30,107	-	-	-		30,107
Board Development	150	-	-	-		150
Dues and Memberships	6,083	-	-	-		6,083
Occupancy	592,665	37,042	37,042	74,082		740,831
Insurance	39,070	2,442	2,442	4,883		48,837
Telephone	2,144	2,144	2,144	15,006		21,438
Office Supplies and Expense	-	-	-	15,905		15,905
Postage	2,575	322	322	3,219		6,438
Printing	3,125	391	391	3,907		7,814
Outside Services	20,250	1,266	1,266	2,531		25,313
Professional Fees	-	-	-	63,516		63,516
Fundraising	-	-	-	414		414
Miscellaneous	-	-	-	5,181		5,181
Depreciation	105,475	6,592	6,592	13,184		131,843
Interest	-	-	-	6,391		6,391
Total	\$ 2,498,568	323,865	189,643	945,095		3,957,171

See paragraph on supplemental information included in Auditor's Report.

COMPLIANCE AND INTERNAL CONTROL

R.A. MERCER & CO., P.C.

Certified Public Accountants
6455 Lake Avenue
Orchard Park, New York 14127
(716)675-4270 Fax (716)675-4272
www.ramercercpa.com

Raymond A. Mercer, CPA, 1931-1983

Cathie J. Bridges, CPA *
Kenneth S. Frank, CPA
Roger J. Lis, Jr., CPA *
Kathryn A. Larracuenta, CPA
Julie L. Jagoda, CPA
Denise D. Veloski, CPA

Robert W Irwin, CPA *

* Also Licensed in Pennsylvania

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 Directors of
Western New York Maritime Charter School
Buffalo, New York

We have audited the financial statements of Western New York Maritime Charter School as of and for the year ended June 30, 2009, and have issued our report thereon dated October 8, 2009. 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 Western New York Maritime Charter 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 Western New York Maritime Charter 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

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 that might be 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 Western New York Maritime Charter 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 management, Board of Directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

R.A. Mercer & Co., P.C,

R.A. Mercer & Co., P.C.

Orchard Park, New York

October 8, 2009