**Aloma D. Johnson Fruit Belt
Community Charter School
Financial Statements
June 30, 2010**

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Independent Auditor's Report

To the Board of Directors
Aloma D. Johnson Fruit Belt
Community Charter School
Buffalo, New York

We have audited the accompanying statement of financial position of Aloma D. Johnson Fruit Belt Community Charter School (the School) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year 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 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 Aloma D. Johnson Fruit Belt Community Charter School as of June 30, 2010, 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 November 1, 2010 on our consideration of Aloma D. Johnson Fruit Belt Community Charter School's internal control over financial reporting and on 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.

Conway Porter, C.P.A., P.C.

Conway Porter III
President

Buffalo, New York
November 1, 2010

Aloma D. Johnson Fruit Belt
Community Charter School
Statement of Financial Condition
June 30, 2010

Assets		
Current Assets:		
Cash and Cash Equivalents (Note 2)	$	21,027
Receivables - State and Federal Aid		71,420
Receivables - Other		1,680
Prepaid Expenses		3,429
Total Current Assets		97,556
Property and Equipment, at Cost		431,646
Less: Accumulated Depreciation and Amortization		(39,320)
Net Property and Equipment		392,326
Total Assets	$	489,882
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	$	222,799
Accrued Expenses:		
Payroll and Payroll Taxes		66,132
Pension		69,162
Interest		912
Other		9,091
Total Accrued Expenses		145,297
Notes Payable		413,869
Current Installments of Capital Lease Obligation		9,310
Total Current Liabilities		791,275
Capital Lease Obligation, Excluding Current Installments		23,090
Total Liabilities		814,365
Unrestricted Net Assets (Deficit)		(324,483)
Commitments and Contingencies (Note 6)		
Total Liabilities and Net Assets	$	489,882

See accompanying notes to financial statements.

Aloma D. Johnson Fruit Belt
Community Charter School
Statement of Activities
Year Ended June 30, 2010

Unrestricted Revenue:		
Public School Districts:		
Resident Student Enrollment		$ 2,296,163
Students with Disabilities		78,114
Grant Income		318,923
Contributions		2,990
Other		8,689
	Total Unrestricted Revenue	2,704,879
Unrestricted Expenses:		
Program Services:		
Regular Education		2,297,800
Special Education		77,254
	Total Program Services	2,375,054
Management and General		195,419
	Total Unrestricted Expenses	2,570,473
Increase in Unrestricted Net Assets		134,406
Unrestricted Net Assets (Deficit) at Beginning of Year		(458,889)
Unrestricted Net Assets (Deficit) at End of Year		$ (324,483)

See accompanying notes to financial statements.

Aloma D. Johnson Fruit Belt
Community Charter School
Statement of Functional Expenses
Year Ended June 30, 2010

	Program Services			Management and General	Total
	Regular Education	Special Education	Total		
Salaries	$ 1,234,496	$ 40,559	$ 1,275,055	$ 109,219	$ 1,384,274
Payroll Taxes	110,062	3,616	113,678	9,738	123,416
Employee Benefits	260,492	8,559	269,051	23,046	292,097
Office Expense	11,991	394	12,385	1,061	13,446
Printing and Production	4,008	132	4,140	355	4,495
Telephone	8,374	275	8,649	741	9,390
Meetings and Travel	6,064	199	6,263	537	6,800
Consulting Fees	152,545	5,012	157,557	13,496	171,053
Repairs and Maintenance	535	18	553	47	600
Supplies	59,570	1,957	61,527	5,270	66,797
Interest Expense	19,637	645	20,282	1,737	22,019
Professional Fees	17,667	580	18,247	1,563	19,810
Advertising	558	18	576	49	625
Dues and Subscriptions	847	28	875	75	950
Insurance	15,238	501	15,739	1,348	17,087
Legal Fees	1,338	44	1,382	118	1,500
Occupancy	271,107	8,907	280,014	23,986	304,000
Staff Development	2,304	76	2,380	204	2,584
Program Expense	42,854	2,255	45,109	-	45,109
Health Center Costs	676	22	698	60	758
Security	88	3	91	8	99
Student Transportation	45,667	2,404	48,071	-	48,071
Depreciation and Amortization	26,896	884	27,780	2,380	30,160
Extracurricular Activities	484	25	509	-	509
Miscellaneous	4,302	141	4,443	381	4,824
Total Unrestricted Expenses	$ 2,297,800	$ 77,254	$ 2,375,054	$ 195,419	$ 2,570,473

See accompanying notes to financial statements.

Aloma D. Johnson Fruit Belt
Community Charter School
Statement of Cash Flows
Year Ended June 30, 2010

Cash Flows from Operating Activities:			
Increase in Unrestricted Net Assets		$	134,406
Adjustments to Reconcile Decrease in Unrestricted Net Assets to Net Cash Used in Operating Activities:			
Depreciation and Amortization			30,160
Changes in:			
Receivables			(66,560)
Prepaid Expenses			(188)
Accounts Payable			46,063
Accrued Expenses			(481)
Deferred Revenue			(6,801)
	Net Cash Provided by Operating Activities		136,599
Cash Flows from Financing Activities:			
Additions to Property and Equipment			(10,853)
Cash Flows from Financing Activities:			
Repayment of Notes Payable			(116,075)
Repayment of Capital Lease Obligation			(8,772)
	Net Cash (Used) in Financing Activities		(124,847)
Net Increase in Cash			899
Cash at Beginning of Year			20,128
Cash at End of Year	**Cash at end of Period**	$	21,027
Supplemental Schedule of Cash Flow Information:			
Cash Paid During the Year for Interest		$	22,019

See accompanying notes to financial statements.

Aloma D. Johnson Fruit Belt Community Charter School
Notes to Financial Statements
June 30, 2010

Note 1 – Summary of Significant Accounting Policies

Nature of Activities: The Aloma D. Johnson Fruit Belt Community Charter School (the School) was chartered by the Board of Regents of the State University of New York on February 12, 2008 for a term of five years pursuant to Article 56 of the New York State Education Law. The School is a K-4 public school primarily funded through the Board of Education of the City School District of the City of Buffalo.

Basis of Accounting – The accompanying financial statements have been prepared on the accrued basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation – The School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The School had only unrestricted net assets in 2010.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash – For the purpose of the statement of cash flows, the School considers all highly liquid debt investments purchased with maturity of three months or less to be cash equivalents.

Receivables – Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Capitalization, Depreciation and Amortization – Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of equipment are recorded as unrestricted support. Depreciation and amortization is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation and amortization. The resulting gains and losses are reflected in the statement of activities.

Deferred Revenue and Revenue Recognition – Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the statement of financial position as deferred revenue.

Notes to Financial Statements – Cont'd.

Note 1 – Summary of Significant Accounting Policies – Cont'd.

Donated Equipment, Materials, Supplies and Personal Services – Donated equipment, materials and supplies are reflected in the financial statements based on the fair market value at the time of donation.

Donated personal services meeting the requirements for recognition in the financial statements was not material and has not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the School.

Promises to Give – Contributions are recognized when the donor makes an unconditional promise to give to the School. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Recent Accounting Pronouncements – In June 2009, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (Codification). Effective July 1, 2009, the Codification is the single source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with plain English explanations of the School's accounting policies. The adoption of the Codification did not have a material impact on the School's financial position or results of operations.

Subsequent Events – The School has evaluated events after June 30, 2010 and through November 1, 2010, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

Income Taxes – The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, no provision for income taxes is reflected in the financial statements.

Note 2 – Property and Equipment

Property and equipment as of June 30, 2010 is summarized as follows:

Leasehold Improvements	$ 351,050
Equipment	58,269
Books	22,327
	431,646
Less Accumulated Depreciation and Amortization	(39,320)
Net Property and Equipment	$ 392,326

Notes to Financial Statements – Cont'd.

Note 3 – Notes Payable

Notes payable at June 30, 2010 are summarized as follows:

Note payable to M&T Bank, secured by the assets of the School, St. John Fruit Belt Community Development Corporation and St. John Baptist Church of Buffalo, due on demand and absent demand, due monthly through October 12, 2012, with interest at prime plus 1.0% (4.25 at June 30, 2010)	$253,869
Line of credit of $150,000 to M&T Bank, secured by the assets of the School, St. John Fruit Belt Community Development Corporation and St. John Baptist Church of Buffalo, due on demand, with interest at prime plus 0.5% (3.75% at June 30, 2010)	150,000
Notes payable, non-interest, unsecured, due on demand	10,000
Total Notes Payable	$413,869

Note 4 – Capital Lease Obligation

The School leased copies under the terms of a capital lease agreement at an interest rate of 6.0%. The lease obligation and the related equipment have been capitalized for financial reporting purposes. The following is a summary of equipment under the capital lease obligation as of June 30, 2010:

Cost of Equipment	$ 47,416
Less Accumulated Depreciation	(12,644)
Net Capitalized Equipment	$ 37,772

Depreciation of leased equipment for the year ended June 30, 2010 amounted to $9,483. Future minimum lease payments under the operating lease are as follows:

2011	$ 11,047
2012	11,047
2013	11,047
2014	2,763
Total Minimum Lease Payments	35,904
Less amount representing interest on capital lease obligation	(3,504)
Net Capital Lease Obligation	32,400
Less current portion of capital lease obligation	(9,310)
Capital Lease Obligation, Excluding Current Portion	$ 23,090

Notes to Financial Statements – Cont'd.

Note 5 – Pension Plans

The School participates in the New York State Teachers' Retirement System (TRS), which is a cost-sharing multiple employer, public employees 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. All benefits generally vest after ten years of service.

TRS is administered by the New York State Teachers' Retirement Board and provides retirement, disability, withdrawal and death 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. The 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, New York 12211.

The System requires plan member contributions of 3% of their annual salary except for those plan members who joined prior to July 1976 or have greater than 10 years of service. Pursuant to Article 11 of the Education law, employer rates are established annually for TRS by the New York State Teachers' Retirement Board at an actuarially determined rate. The employer rates for TRS were 6.19% of the annual covered payroll as of June 30, 2010. Required annual contributions by the School for the year ended June 30, 2010 amounted to $44,822.

Note 6 – Commitments and Contingencies

Commitments and contingencies at June 30, 2010 consist of the following:

a. Lease

The School leases its facility from St. John Baptist Church of Buffalo, under an operating lease expiring on May 31, 2012. Rent expense amounted to $304,000 for the year ended June 30, 2010. Future minimum lease payments under the operating lease is as follows:

2011	$ 304,000
2012	304,000
	$ 608,000

b. Government Grants

The School has received Federal and State Aid and various Grants, which are subject to audit by agencies of the Federal and State governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments. The School believes disallowances, if any, would not be material.

c. Litigation

The School is involved in various litigation arising in the ordinary course of business. In the opinion of management, no loss will be incurred as a result of this litigation.