

THE BRONX CHARTER SCHOOL FOR CHILDREN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
The Bronx Charter School for Children

We have audited the accompanying statement of financial position of The Bronx Charter School for Children (the "School") as of June 30, 2011 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. The prior year summarized comparative information has been derived from the School's 2010 financial statements and, in our report dated October 29, 2010, we expressed an unqualified opinion on these financial statements.

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 from 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 audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of The Bronx Charter School for Children as of June 30, 2011 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.


Lederer, Levine & Associates, LLC

New York, NY
October 31, 2011

**THE BRONX CHARTER SCHOOL FOR CHILDREN
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)**

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents (Notes B and E)	\$ 3,179,871	\$ 2,521,654
Government grants and tuition receivables	133,136	201,813
Prepaid expenses and other	182,889	186,534
Property and equipment, net (Notes B and D)	231,342	252,825
Security deposits	2,030	2,030
Restricted deposit (Note C)	<u>27,445</u>	<u>27,404</u>
TOTAL ASSETS	\$ <u>3,756,713</u>	\$ <u>3,192,260</u>
LIABILITIES		
Accrued expenses and other payables	\$ 602,464	\$ 735,322
Deferred revenue	2,566	2,566
Deferred rent payable (Note H)	<u>315,264</u>	<u>245,066</u>
TOTAL LIABILITIES	<u>917,728</u>	<u>982,954</u>
COMMITMENTS AND CONTINGENCIES (Note H)		
NET ASSETS		
Unrestricted	2,832,706	2,105,102
Temporarily restricted (Note G)	<u>6,279</u>	<u>104,204</u>
TOTAL NET ASSETS	<u>2,838,985</u>	<u>2,209,306</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>3,756,713</u>	\$ <u>3,192,260</u>

The accompanying notes are an integral part of these financial statements.

THE BRONX CHARTER SCHOOL FOR CHILDREN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)

		2011		2010
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE:				
Revenue - student enrollment	\$ 5,756,077	\$	\$ 5,756,077	\$ 4,883,566
Revenue - students with disabilities	410,050		410,050	416,353
Government grants	372,287		372,287	478,306
Contributions	122,595	15,250	137,845	265,727
In kind contributions (Note I)	281,099		281,099	301,189
Interest income	13,665		13,665	10,614
Net assets released from restrictions	113,175	(113,175)		
TOTAL SUPPORT AND REVENUE	7,068,948	(97,925)	6,971,023	6,355,755
EXPENSES:				
Program services	5,565,190		5,565,190	5,262,614
Management and general	635,118		635,118	458,882
Fundraising and development	141,036		141,036	119,663
TOTAL EXPENSES	6,341,344		6,341,344	5,841,159
Change in net assets	727,604	(97,925)	629,679	514,596
Net Assets - Beginning of Year	2,105,102	104,204	2,209,306	1,694,710
NET ASSETS - END OF YEAR	\$ 2,832,706	\$ 6,279	\$ 2,838,985	\$ 2,209,306

The accompanying notes are an integral part of these financial statements.

THE BRONX CHARTER SCHOOL FOR CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011
(With Comparative Totals for 2010)

	<u>2011</u>			<u>2010</u>	
	Program Services	Management and General	Fundraising and Development	Total	Total
Salaries	\$ 2,775,565	\$ 332,196	\$ 82,497	\$ 3,190,258	\$ 2,972,579
Payroll taxes and employee benefits (Note F)	596,388	64,484	22,932	683,804	602,532
Total Salaries and Related Costs	3,371,953	396,680	105,429	3,874,062	3,575,111
Professional fees and contracted services	157,689	77,382	9,266	244,337	186,628
Contracted instructional services	83,806			83,806	12,877
Occupancy (Note H)	1,200,268	64,133	12,013	1,276,414	1,311,449
Instructional materials	161,037			161,037	168,017
Food service (Note I)	296,263			296,263	286,877
Office supplies and expenses	76,456	10,692	5,886	93,034	110,072
Telephone	21,054	2,520	626	24,200	4,773
Recruiting expenses	6,073	54,275		60,348	7,140
Conferences, meetings and staff development	79,327	16,654	4,668	100,649	41,731
Insurance	40,612	4,326	1,048	45,986	43,987
Depreciation and amortization	70,652	8,456	2,100	81,208	92,497
 Total Expenses	 \$ <u>5,565,190</u>	 \$ <u>635,118</u>	 \$ 141,036	 \$ 6,341,344	 \$ 5,841,159

The accompanying notes are an integral part of these financial statements.

**THE BRONX CHARTER SCHOOL FOR CHILDREN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30,2011
(With Comparative Totals for 2010)**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 629,679	\$ 514,596
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	81,208	92,497
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable		158,339
Government grants and tuition receivables	68,677	(133,808)
Prepaid expenses and other	3,645	(46,710)
Increase (decrease) in liabilities:		
Accrued expenses and other payables	(132,858)	107,833
Deferred revenue	(2,566)	(21,016)
Deferred rent payable	70,198	137,176
Net Cash Provided by Operating Activities	717,983	808,907
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in restricted deposit	(41)	(41)
Property and equipment acquisitions	(59,725)	(51,940)
Net Cash Used by Investing Activities	(59,766)	(51,981)
NET INCREASE IN CASH AND CASH EQUIVALENTS	658,217	756,926
Cash and cash equivalents - beginning of year	2,521,654	1,764,728
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,179,871	\$ 2,521,654
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 0.00	\$ 000

The accompanying notes are an integral part of these financial statements.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note A - Organization and Nature of Activities

The Bronx Charter School for Children (the "School") was granted a charter (the "Charter") by the Board of Regents of the State of New York (the "Regents") under the New York Charter Schools Act of 1998. Pursuant to its terms, the Charter is scheduled to expire in 2016. The School is an education corporation exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code. The School is located in the Bronx, New York.

The Mission of The Bronx Charter School for Children is to empower our children to achieve their greatest potential both as students and as members of their communities.

In September 2004, the School was opened to serve 132 students in grades K through 1. The School currently serves 432 students in grades K through 5.

Note B – Summary of Significant Accounting Policies

Basis of Accounting

The School follows accounting principles generally accepted in the United States of America ("U.S. GAAP") which include certain specialized requirements set forth in publications of the Financial Accounting Standards Board.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 31, 2011.

Accounting for Uncertainty in Income Taxes

The School's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

Cash and Cash Equivalents

The School considers all highly liquid investments with a maturity of less than three months to be cash equivalents, except for the restricted deposit account established in accordance with the Charter (see Note 0).

Restricted Contributions

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions that are restricted by the donor 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.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note B - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives. The School capitalizes property and equipment with a useful life of two years or more and a cost of \$500 or more.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Note C - Restricted Deposit

Pursuant to the Charter, the School is required to maintain a separate escrow account of no less than \$25,000 to pay for certain administrative expenses in the event that the School undergoes a dissolution.

Note D - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>Estimated Useful Life</u>	<u>2011</u>	<u>2010</u>
Leasehold improvements	5-10 years	\$ 376,143	\$ 367,268
Computer software and equipment	3 years	237,974	220,726
Furniture and equipment	3-5 years	205,266	171,664
		819,383	759,658
Less: accumulated depreciation and amortization		<u>588,041</u>	<u>506,833</u>
		\$ <u>231,342</u>	\$ <u>252,825</u>

Depreciation and amortization expense for the years ended June 30, 2011 and 2010 amounted to \$81,208 and \$92,497, respectively.

Note E - Concentrations

The School maintains several bank accounts at banks which are institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. This limit will be in effect through December 31, 2013. At June 30, 2011, the total uninsured cash balance approximated \$2,402,000.

Note F - Retirement Plan

The School maintains a defined contribution retirement plan covering all employees. The School matches employee contributions up to a limit of 2% of each participating employee's salary. Retirement plan expense amounted to approximately \$42,000 for the year ended June 30, 2011. This School's contribution to the plan vests immediately.

THE BRONX CHARTER SCHOOL FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note G - Net Assets

Temporarily restricted net assets at June 30, 2011 consist of the following:

Strategic planning	\$ <u>6,279</u>
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Note H - Commitments and Contingencies

1. The School leases a building to house the School at an annual rent of \$1,030,000; the lease expires July 2018. The annual rent is subject to annual cost of living adjustment escalators up to 3% over the prior year's rent.

Rent expense amounted to approximately \$1,101,000 for the year ended June 30, 2011.

Approximate future minimum annual rental commitments under noncancelable rental lease obligations are as follows:

For the years ended June 30, 2012	\$ 1,061,000
2013	1,093,000
2014	1,126,000
2015	1,159,000
2016	1,194,000
Thereafter	<u>2,497,000</u>
	\$ <u>8,130,000</u>

The School records rent expense on the straight line basis as required under accounting principles generally accepted in the United States of America. Deferred rent expense amounted to \$70,199 for the year ended June 30, 2011.

2. The School has entered into two equipment leases which require monthly payments approximating \$1,300.
3. A substantial amount of the School's revenue are from government sources. Revenue and related expenses are subject to audit verification by the funding agencies. Accordingly, any amounts which are determined to be excessive or non-program related would require repayment to such agency. In the opinion of management, any actual disallowance would be immaterial.

Note I - In Kind Contributions

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ending June 30, 2011 the School received approximately \$280,000 of donated food and related services (provided by the New York City Department of Education ("NYCDOE"), which are included as revenue and expenses in the accompanying financial statements.

The following services are not included as in-kind contributions: the NYCDOE provides bus service and certain special education services to the School at no charge. The New York City Department of Health also provides a nurse to the School at no charge. The School also received enrichment program services at no charge.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
The Bronx Charter School for Children

We have audited the financial statements of **The Bronx Charter School for Children** (the "School") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 31, 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.

Compliance

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 grants, 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 disclose no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of Management, the Board of Trustees, others within the School and the Board of Regents of the State of New York and is not intended to be and should not be used by anyone other than these specified parties.


Lederer, Levine & Associates, LLC

New York, NY
October 31, 2011