

**EVERGREEN CHARTER SCHOOL, INC.**

**Financial Statements  
For the year ended  
June 30, 2010**

**Independent Auditors' Report**

To the Board of Trustees of  
Evergreen Charter School, Inc.

We have audited the accompanying statement of financial position of Evergreen Charter School, Inc. (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. 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 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 Evergreen Charter School, Inc. at June 30, 2010 and the results of its activities and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Condon O'Meara McGinty & Donnelly LLP*

## EVERGREEN CHARTER SCHOOL, INC.

## Statement of Financial Position

June 30, 2010

## Assets

**Current assets**

|                                 |               |
|---------------------------------|---------------|
| Cash                            | \$ 65,811     |
| Government contracts receivable | 157,410       |
| Other receivables               | <u>71,378</u> |
| Total current assets            | 294,599       |

**Net leasehold improvements,  
furniture and equipment, at cost**262,455**Total assets****\$ 557,054**

## Liabilities and Net Assets

|                           |               |
|---------------------------|---------------|
| Accounts payable          | \$ 76,860     |
| Accrued expenses          | 127,227       |
| Due to related party      | 180,680       |
| Refundable advances       | <u>73,463</u> |
| Total current liabilities | 458,230       |

**Net assets – unrestricted**98,824**Total liabilities and net assets****\$ 557,054**

See notes to financial statements.

**EVERGREEN CHARTER SCHOOL, INC.**

**Statement of Activities  
For the Year Ended June 30, 2010**

|   | <b><u>Unrestricted<br/>Total</u></b> |
|---|--------------------------------------|
| <b>Support and revenue</b>                                  |                                      |
| Public School District                                      |                                      |
| Revenue – resident student enrollment                       | \$ 1,663,447                         |
| State grants  | 191,725                              |
| Federal grants  | 363,262                              |
| Other income  | <u>7,676</u>                         |
| Total support and revenue                                   | <u>2,226,110</u>                     |
| <b>Expenses</b>   |                                      |
| Program services  |                                      |
| Regular education   | 1,651,550                            |
| Supporting services   |                                      |
| Management and general                                      | <u>365,794</u>                       |
| Total expenses  | <u>2,017,344</u>                     |
| <b>Increase in unrestricted net assets</b>                  | 208,766                              |
| <b>Unrestricted net assets (deficit), beginning of year</b> | <u>(109,942)</u>                     |
| <b>Unrestricted net assets, end of year</b>                 | <u>\$ 98,824</u>                     |

See notes to financial statements.

**EVERGREEN CHARTER SCHOOL, INC.**

**Statement of Functional Expenses  
For the Year Ended June 30, 2010**

|  | <u>Program<br/>Services</u>  | <u>Supporting<br/>Services</u>        |                           |
|--|------------------------------|---------------------------------------|---------------------------|
|  | <u>Regular<br/>Education</u> | <u>Management<br/>and<br/>General</u> | <u>Total</u>              |
| Salaries and wages                       | \$ 733,044                   | \$ 220,103                            | \$ 953,147                |
| Payroll taxes and fringe benefits        | 137,593                      | 45,865                                | 183,458                   |
| Accounting and auditing fees             | -                            | 16,580                                | 16,580                    |
| Consultants – computer                   | 38,606                       | 6,813                                 | 45,419                    |
| Consultants – education                  | 109,047                      | -                                     | 109,047                   |
| Contracted services – management company | 8,600                        | -                                     | 8,600                     |
| Contracted services – other              | 432                          | 4,974                                 | 5,406                     |
| Food                                     | 15,172                       | 1,686                                 | 16,858                    |
| Insurance                                | 18,930                       | 996                                   | 19,926                    |
| Legal                                    | -                            | 8,950                                 | 8,950                     |
| Library                                  | 581                          | -                                     | 581                       |
| Maintenance and repairs                  | 62,098                       | 3,268                                 | 65,366                    |
| Occupancy                                | 269,310                      | 29,923                                | 299,233                   |
| Printing                                 | 5,875                        | 309                                   | 6,184                     |
| Supplies and materials                   | 176,945                      | 9,313                                 | 186,258                   |
| Other expenses                           | 19,985                       | 3,527                                 | 23,512                    |
| Staff development                        | 18,766                       | 988                                   | 19,754                    |
| Telephone                                | 408                          | 7,757                                 | 8,165                     |
| Transportation (student)                 | 2,847                        | -                                     | 2,847                     |
| Travel                                   | 145                          | 145                                   | 290                       |
| Utilities                                | 13,951                       | 2,462                                 | 16,413                    |
| Depreciations and amortization           | 19,215                       | 2,135                                 | 21,350                    |
|  | <u>19,215</u>                | <u>2,135</u>                          | <u>21,350</u>             |
| <b>Total</b>                             | <b><u>\$1,651,550</u></b>    | <b><u>\$ 365,794</u></b>              | <b><u>\$2,017,344</u></b> |

See notes to financial statements.

**EVERGREEN CHARTER SCHOOL, INC.**

**Statement of Cash Flows  
For the Year Ended June 30, 2010**

|   |                         |
|---|-------------------------|
| <b>Cash flows from operating activities</b>   |                         |
| Increase in net assets  | \$ 208,766              |
| Adjustments to reconcile increase in net assets<br>to net cash provided by operating activities |                         |
| Depreciation and amortization   | 21,350                  |
| (Increase) in assets  |                         |
| Government contracts receivable   | (157,410)               |
| Other receivables   | (71,378)                |
| Increase (decrease) in liabilities  |                         |
| Accounts payable  | (33,082)                |
| Accrued expenses  | 127,227                 |
| Due to related party  | 180,680                 |
| Refundable advances   | <u>73,463</u>           |
| Net cash provided by operating activities   | <u>349,616</u>          |
| <b>Cash flows from investing activities</b>   |                         |
| Purchase of furniture and equipment   | (183,805)               |
| Purchase of leasehold improvements  | <u>(100,000)</u>        |
| Net cash (used in) investing activities   | <u>(283,805)</u>        |
| <b>Net increase in cash</b>   | <b>65,811</b>           |
| <b>Cash, beginning of year</b>  | <u>-</u>                |
| <b>Cash, end of year</b>  | <b>\$ <u>65,811</u></b> |

See notes to financial statements.

**EVERGREEN CHARTER SCHOOL, INC.****Notes to Financial Statements  
June 30, 2010****Note 1 – Nature of organization and summary of accounting policies**Nature of organization

Evergreen Charter School, Inc. (the “School”) is a New York State nonprofit corporation. The School’s primary goal is to nurture the intellectual, physical and social development of children, through a comprehensive program that promotes academic excellence and prepares its students for success in school and in life.

Basis of accounting

The books and records of the School are maintained on the accrual basis of accounting.

Basis of presentation

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Accounting Standards for, *Financial Statements of Not-for-Profit Organizations*. Accordingly, the net assets of the School are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted assets, and (c) permanently restricted assets.

Net assets of the restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or donor-restricted contributions whose restrictions are met in the same accounting period, are reported as part of the unrestricted class.

Currently there are no contributions that require the use of the temporarily or permanently restricted classes of net assets.

FundingEducation program

This program is funded through various contracts with the New York State Department of Education and through tuition based upon a per pupil allocation from the school districts in which the students are enrolled.

Allowance for doubtful accounts

As of June 30, 2010, there is no allowance for doubtful accounts. This estimate is based on management’s experience, the aged basis of the receivables, subsequent receipts and current economic conditions.

**EVERGREEN CHARTER SCHOOL, INC.****Notes to Financial Statements (continued)****June 30, 2010****Note 1 – Nature of organization and summary of accounting policies (continued)**Leasehold improvements, furniture and equipment

Leasehold improvements, furniture and equipment are recorded at cost. Leasehold improvements are amortized over the lease term of 5 years. Depreciation is being provided on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 5 years.

Revenues

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All other revenue sources, including government grants and program service fees, are recorded as revenue when earned.

Contributions

Under the Accounting Standards for, *Accounting for Contributions Received and Contributions Made*, organizations are encouraged but not required to disclose the fair value of contributed services received but not recognized as revenue to the extent practicable. A number of volunteers have donated time to the School. These contributed services have not been valued or recorded in the accompanying statements of activities.

Functional expenses and allocations

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated between the program and supporting services benefited.

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. Actual results could differ from these estimates.

Concentration of credit risk

The School's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and receivables. The School places its cash with what it believes to be quality financial institutions. The School has not experienced any losses in such accounts to date. The School's receivable consists principally of amounts due from government contracts. The School believes no significant concentration of credit risk exists with respect to its cash and receivables.

**EVERGREEN CHARTER SCHOOL, INC.**

**Notes to Financial Statements (continued)**

**June 30, 2010**

**Note 1 – Nature of organization and summary of accounting policies (continued)**

Subsequent events

The School has evaluated events and transactions for potential recognition or disclosure through November 18, 2010, which is the date the financial statements were available to be issued.

**Note 2 – Leasehold improvements, furniture and equipment**

A summary of the leasehold improvements, furniture and equipment and accumulated depreciation and amortization as of June 30, 2010 is as follows:

|  | Cost       |
|--|------------|
| Leasehold improvements                             | \$ 100,000 |
| Furniture and equipment                            | 183,805    |
| Total  | 283,805    |
| Less: accumulated depreciation<br>and amortization | 21,350     |
| Net property and equipment, at cost                | \$ 262,455 |

**Note 3 – Accounts receivable – government contracts**

Reimbursements under government contracts are subject to audits by the various government agencies. The effects of any potential audit disallowances for the majority of the contracts have not been recognized in these financial statements. Management is of the opinion that further disallowances will not be material to these financial statements.

**Note 4 – Commitments**

In January 2010, the School entered into a 5-year lease agreement for space for its facility. At June 30, 2010, annual future payments under the lease agreement are as follows:

| Fiscal Year | Amount       |
|-------------|--------------|
| 2011        | \$ 489,342   |
| 2012        | 504,024      |
| 2013        | 519,144      |
| 2014        | 534,714      |
| 2015        | 293,917      |
| Total       | \$ 2,341,141 |

Total rent expense amounted to \$299,233 in fiscal 2010.

**EVERGREEN CHARTER SCHOOL, INC.****Notes to Financial Statements (continued)****June 30, 2010****Note 5 – Retirement plan**

The School sponsors a non-contributory 403(b) plan that covers all eligible employees. An eligible employee can defer a portion of his/her compensation not to exceed limits set by the Internal Revenue Code for a 403(b) plan.

**Note 6 – Related party transactions**

The Chairman of the Board of Trustees of the School is the Executive Director of Circulo de la Hispanidad (the "Agency"), a not-for-profit organization. During the 2010 fiscal year, the School reimbursed the Agency approximately \$475,000 for expenses incurred by the Agency relating to the School's start up costs, including capital expenditures (leasehold improvements for the building of a gym and furniture and equipment), repairs and maintenance, professional services, supplies, insurance, etc. In addition, in January 2010, the School entered into a five year lease agreement with the Agency (see note 4) to rent space. The rent expense for fiscal 2010 was approximately \$221,000.

**Note 7 – Tax status**

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the School has been determined by the Internal Revenue Service to be a publicly supported organization and not a private foundation within the meaning of Section 509(a)(1). As of June 30, 2010, no amounts have been recognized for any uncertain income tax positions. The School's tax returns for the 2009 fiscal year and forward are subject to the usual review by the appropriate taxing authorities.