

LA CIMA CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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FINANCIAL STATEMENTS
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FRUCHTER ROSEN & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
156 WEST 56TH STREET
NEW YORK, NEW YORK 10019

TEL: (212) 957-3600
FAX: (212) 957-3696

INDEPENDENT AUDITORS' REPORT

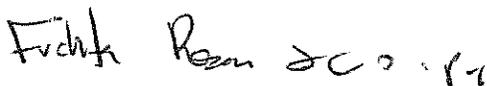
TO THE BOARD OF TRUSTEES
LA CIMA CHARTER SCHOOL

We have audited the accompanying statements of financial position of La Cima Charter School (the "School") (a not-for-profit corporation) as of June 30, 2010 and 2009, and the related statements of activities, and cash flows for the year ended June 30, 2010 and for the period from January 15, 2008 (inception) to June 30, 2009. 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 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 year ended June 30, 2010 and for the period from January 15, 2008 (inception) to June 30, 2009, 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 19, 2010 on our consideration of the 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 on 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 read in conjunction with this report in considering the results of our audits.



FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
October 19, 2010

LA CIMA CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 449,191	\$ 506,893
Grants and contracts receivable	101,455	33,984
Prepaid expenses and other current assets	21,382	7,878
Total current assets	572,028	548,755
Other assets:		
Investments	500,585	-
Property and equipment, net of accumulated depreciation and amortization of \$51,927 and \$15,251, respectively	278,188	125,316
Restricted cash	75,000	75,000
Total other assets	853,773	200,316
TOTAL ASSETS	\$ 1,425,801	\$ 749,071
 LIABILITIES AND UNRESTRICTED NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 85,049	\$ 77,681
Accrued payroll and payroll taxes	107,116	47,100
Refundable advances	12,152	7,906
Total current liabilities	204,317	132,687
Unrestricted net assets	1,221,484	616,384
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$ 1,425,801	\$ 749,071

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

LA CIMA CHARTER SCHOOL
STATEMENTS OF ACTIVITIES

	<u>For the year ended June 30, 2010</u>	<u>From January 15, 2008 (Inception) to June 30, 2009</u>
Operating Revenue and support:		
State and local per pupil operating revenue	\$ 2,582,299	\$ 1,815,887
Federal grants	313,597	207,789
State and city grants	194,912	200,812
Contributions and grants	4,515	10,240
Investment income	3,183	-
Miscellaneous income	-	134
Total operating revenue and support	<u>3,098,506</u>	<u>2,234,862</u>
Expenses:		
Program expenses:		
Regular education	1,946,430	1,214,422
Special education	105,675	56,896
Total programs services	<u>2,052,105</u>	<u>1,271,318</u>
Supporting services:		
Management and general	416,345	347,160
Fundraising	22,666	-
Total expenses	<u>2,491,116</u>	<u>1,618,478</u>
Surplus from operations	607,390	616,384
Other expense:		
Loss on disposal of fixed assets	<u>(2,290)</u>	<u>-</u>
Changes in unrestricted net assets	<u>605,100</u>	<u>616,384</u>
Unrestricted net assets - beginning of period	<u>616,384</u>	<u>-</u>
Unrestricted net assets - end of period	<u>\$ 1,221,484</u>	<u>\$ 616,384</u>

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

LA CIMA CHARTER SCHOOL
STATEMENTS OF CASH FLOWS

	For the year ended June 30, 2010	From January 15, 2008 (Inception) to June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in unrestricted net assets	\$ 605,100	\$ 616,384
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	37,345	15,251
Unrealized gain on investments	(585)	-
Loss on disposal of fixed assets	2,290	-
Changes in certain assets and liabilities:		
(Increase) in grants and contracts receivable	(67,471)	(33,984)
(Increase) in prepaid expenses and other current assets	(13,504)	(7,878)
Increase in accounts payable and accrued expenses	7,368	77,681
Increase in accrued payroll and payroll taxes	60,016	47,100
Increase in refundable advance	4,246	7,906
NET CASH PROVIDED BY OPERATING ACTIVITIES	634,805	722,460
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(192,507)	(140,567)
Purchase of investments	(500,000)	-
(Increase) in restricted cash	-	(75,000)
NET CASH (USED IN) INVESTING ACTIVITIES	(692,507)	(215,567)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(57,702)	506,893
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	506,893	-
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 449,191	\$ 506,893

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

LA CIMA CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

La Cima Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on January 15, 2008 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on January 15, 2008 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The School will prepare kindergarten to fifth grade students to thrive in competitive high schools and four year colleges. The School will provide the children of Brooklyn with a rigorous academic program and a school community built on the School's core values of La Cima Charter School. Classes commenced in Bedford-Stuyvesant, Brooklyn, New York, in August 2008 and the School provided education to approximately 200 students in kindergarten through third grades in the 2009-2010 academic year.

The School shares space with a New York City public school. The School is not responsible for rent, utilities, custodial services, maintenance and school safety services other than security related to the school's programs that take place outside the district's school day.

Food and Transportation Services

The New York City Department of Education provides free lunches and reduced-price lunches and transportation directly to some of the School's students. Such costs are not included in these financial statements. The School covers the unreimbursed cost of lunches for children not entitled to the free lunches. The Office of Pupil Transportation provides free transportation to the majority of students during the district's school days.

Tax Status

The School is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and a similar provision under New York State income tax laws. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in section 170(b) (1) (A) (ii).

Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board ("FASB") in its Accounting Standards Codification ("ASC") 958-205. Under ASC 958-205, the School is required to report 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 net assets classifications are described as follows:

LA CIMA CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (continued)

Unrestricted

Unrestricted net assets of the School are assets whose use has not been restricted by an outside donor or by law. The unrestricted net assets represent the portion of expendable funds that are available for the support of the operations of the School.

Temporarily Restricted

Temporarily restricted net assets are used to differentiate resources, the use of which is restricted by donors or grantors to a specific time or period or for a specific purpose. Temporarily restricted gifts are recorded as additions to temporarily restricted net assets in the period received. When restricted net assets are expended for their stipulated purpose, temporarily restricted net assets become unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

Permanently Restricted

Permanently restricted net assets are those contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled or otherwise removed by actions of the School. The income derived from these permanently restricted funds is usually classified as unrestricted and can be used for the general purpose of the School.

The School has no temporarily or permanently restricted net assets at June 30, 2010 and 2009.

Revenue and support

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the School's current year activities are recorded as unrestricted revenue. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

LA CIMA CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the School considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Credit and Market Risk

Financial instruments which potentially subject the School to concentrations of credit risk are cash and cash equivalents. The School places its cash and cash equivalents on deposit in what it believes to be highly credited financial institutions. Cash balances may exceed the FDIC insured levels of \$250,000 per institution at various times during the year. The School believes that there is little risk in any losses and has not experienced any losses in such accounts.

The School also invests some of its funds in professionally managed portfolios containing various types of fixed income securities and a limited partnership. Such investments are exposed to market and credit risks. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Restricted Cash

Under the provisions of its charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution should it occur.

Property and Equipment

Purchased property and equipment are recorded at cost. Maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding, whereas the government agency retains legal title to the long lived asset is expensed as incurred. Depreciation and amortization is provided on the straight line method over the estimated useful lives as follows:

Leasehold Improvements	15 years
Furniture and Fixtures	7 years
Computer Equipment	5 years
Software	3 years

LA CIMA CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Refundable Advances

The school records certain government operating revenue as refundable advances until related services are performed, at which time they are recognized as revenue.

Recent Accounting Pronouncements

In June 2009, the FASB Accounting Standards Codification ("ASC") 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative, generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the organization has updated references to GAAP in its financial statements issued for the year ended June 30, 2010. The adoption of FASB ASC 105 did not impact the School's financial position or results of operations.

The School adopted the provisions of ASC 740-10, *Income Taxes*, as of July 1, 2009. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribes a recognition threshold and measurement standard for the financial statements recognition and measurement of income tax positions taken or expected to be taken in a tax return. The School has reviewed its tax position for open tax years and has concluded that the adoption of this standard did not have an impact on the financial statements of the School.

NOTE 2 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consists of federal, state, and city entitlements. The School expects to collect these receivables within one year.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30,

	<u>2010</u>	<u>2009</u>
Leasehold Improvements	\$180,000	\$46,500
Furniture and Fixtures	55,923	23,235
Computer Equipment	76,470	65,647
Software	<u>17,722</u>	<u>5,185</u>
	330,115	140,567
Less: Accumulated depreciation and amortization	<u>(51,927)</u>	<u>(15,251)</u>
Total	<u>\$278,188</u>	<u>\$125,316</u>

During the year ended June 30, 2010, the School disposed of three laptops resulting in a \$2,290 loss.

Depreciation and amortization expense was \$37,345 and \$15,251 for the year ended June 30, 2010 and for the period January 15, 2008 (inception) to June 30, 2010, respectively.

LA CIMA CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 - INVESTMENTS

Investments held by the School at June 30, 2010 are summarized as follows:

	<u>Cost Basis</u>	<u>Market Value</u>
Fixed income mutual funds	\$ 400,000	\$ 406,762
Limited partnership	<u>100,000</u>	<u>93,823</u>
Total	<u>\$ 500,000</u>	<u>\$ 500,585</u>

Investment income at June 30, 2010 consisted of:

Interest and dividends	\$ 2,598
Net unrealized gain	<u>585</u>
Net investment income	<u>\$ 3,183</u>

NOTE 5 - FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under FASB ASC 820-10 are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly including inputs in markets that are not considered to be active.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

LA CIMA CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

The following table presents the balance of Investments measured at fair value on a recurring basis by level within the hierarchy at June 30, 2010.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income mutual funds	\$ 406,762	\$ -	\$ -
Limited partnership.	<u>-</u>	<u>-</u>	<u>93,823</u>
Total	<u>\$ 406,762</u>	<u>\$ -</u>	<u>\$ 93,823</u>

A reconciliation of Level 3 investments for the year ended June 30, 2010 is as follows:

Balance at June 30, 2009	\$ -
Capital contributions	100,000
Unrealized loss	<u>(6,177)</u>
Balance at June 30, 2010	<u>\$ 93,823</u>

The fair value of the limited partnership investment is determined by the School's management based upon net asset value as provided by the limited partnership's managers or general partners.

NOTE 6 - CONTINGENCY

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE 7 - COMMITMENTS

The School leases office equipment under an operating lease that commenced on June 22, 2009 for a period of 36 months. The monthly installments are \$200. As of June 30, 2010, the future minimum obligation under this lease is as follows:

For the year ended June 30, 2011	\$ 2,400
2012	<u>2,400</u>
	<u>\$ 4,800</u>

NOTE 8 - REVENUE CONCENTRATION

The School receives a substantial portion of its support and revenue from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

LA CIMA CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 9 - FUNCTIONAL ALLOCATION OF EXPENSE

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses includes those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

NOTE 10 - PENSION PLAN

The School maintains a pension plan qualified under Internal Revenue Code 401(k) for the benefit of its eligible employees. Under this plan the school can elect to contribute an amount equal to at least 3% of the participant's annual compensation. In addition, the School can also elect to make a discretionary contribution to the employees who are eligible, not to exceed 4% of their annual compensation. For the year ended June 30, 2010, the amount charged to operations for fees and matching contributions to this plan amounted to \$22,014. For the period from January 15, 2008 (inception) to June 30, 2009 the school did not contribute to the employees' benefit plan.

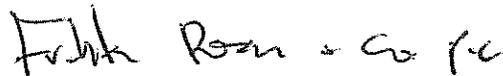
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INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

TO THE BOARD OF TRUSTEES
LA CIMA CHARTER SCHOOL

Our report on our audits of the basic financial statements of La Cima Charter School (a not-for-profit corporation) for the year ended June 30, 2010 and for the period from January 15, 2008 (inception) to June 30, 2009 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The 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 as a whole.



FRUCHTER ROSEN & COMPANY, P.C.
Certified Public Accountants

New York, New York
October 19, 2010

LA CIMA CHARTER SCHOOL
SCHEDULES OF FUNCTIONAL EXPENSES

	For the year ended June 30, 2010					From January 15, 2008 (Inception) to June 30, 2009
	Program Services		Supporting Services			
	Regular Education	Special Education	Total Program Services	Management and General	Fundraising	
Salaries and wages	\$ 1,176,662	\$ 24,800	\$ 1,201,462	\$ 286,655	\$ 18,500	\$ 1,506,617
Employee benefits and payroll taxes	247,671	5,220	252,891	60,338	3,894	317,123
Professional services	15,387	41,369	56,756	33,809	-	90,565
Leased equipment	3,419	256	3,675	599	-	4,274
Non-capitalized furniture and equipment	23,331	1,502	24,833	200	8	25,041
Curriculum and classroom	201,379	12,854	214,233	-	-	214,233
Supplies and materials	33,888	2,322	36,210	2,317	178	38,705
Professional development	26,250	1,799	28,049	7,319	-	35,368
Travel and conferences	36,718	2,542	39,260	3,102	-	42,362
Student and staff recruitment	42,389	2,825	45,214	1,871	-	47,085
Insurance	21,154	1,587	22,741	3,702	-	26,443
Postage, printing and copying	6,867	515	7,382	1,115	86	8,583
Technology	40,714	3,054	43,768	7,125	-	50,893
Student meals	23,306	1,488	24,794	-	-	24,794
Maintenance and repairs	16,934	1,270	18,204	2,963	-	21,167
Depreciation and amortization	29,876	2,241	32,117	5,228	-	37,345
Miscellaneous	485	31	516	2	-	518
	<u>\$ 1,946,430</u>	<u>\$ 105,675</u>	<u>\$ 2,052,105</u>	<u>\$ 416,345</u>	<u>\$ 22,666</u>	<u>\$ 2,491,116</u>
						<u>\$ 1,618,478</u>

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