

NIAGARA CHARTER SCHOOL
Financial Statements and
Supplementary Information
June 30, 2010
(With Independent Auditors' Report Thereon)

NIAGARA CHARTER SCHOOL

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Niagara Charter School:

We have audited the accompanying statement of financial position of Niagara Charter 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. The prior year summarized comparative information has been derived from the School's 2009 financial statements and in our report dated September 18, 2009, we expressed an unqualified opinion on those 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 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 Niagara 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 September 21, 2010 on our consideration of Niagara 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.

Toski, Schaefer & Co., P.C.

Williamsville, New York
September 21, 2010

NIAGARA CHARTER SCHOOL
 Statement of Financial Position
 June 30, 2010
 with comparative totals for 2009

	<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:			
Cash		\$ 158,084	62,240
Receivables:			
School districts		-	1,605
Other		15,835	21,473
Total receivables		<u>15,835</u>	<u>23,078</u>
Prepaid expenses		<u>16,895</u>	<u>30,832</u>
Total current assets		<u>190,814</u>	<u>116,150</u>
Property and equipment, at cost		358,533	259,048
Less accumulated depreciation		<u>(171,360)</u>	<u>(117,576)</u>
Net property and equipment		<u>187,173</u>	<u>141,472</u>
Other assets - utility deposit		<u>13,425</u>	<u>13,425</u>
Total assets		<u>\$ 391,412</u>	<u>271,047</u>
	<u>Liabilities and Net Assets</u>		
Current liabilities:			
Accounts payable		79,269	125,190
Accrued expenses:			
Payroll and payroll taxes		156,653	104,772
Pension		133,074	152,682
Interest		-	278
Total accrued expenses		<u>289,727</u>	<u>257,732</u>
Current installments of long-term debt		<u>-</u>	<u>38,733</u>
Total liabilities		<u>368,996</u>	<u>421,655</u>
Net assets:			
Unrestricted net assets (deficit)		12,536	(179,443)
Temporarily restricted		<u>9,880</u>	<u>28,835</u>
Total net assets (deficit)		<u>22,416</u>	<u>(150,608)</u>
Commitments (note 6)			
Total liabilities and net assets		<u>\$ 391,412</u>	<u>271,047</u>

See accompanying notes to financial statements.

NIAGARA CHARTER SCHOOL
Statement of Activities
Year ended June 30, 2010
with comparative totals for 2009

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>	
			<u>2010</u>	<u>2009</u>
Revenue:				
Public School Districts:				
Resident student enrollment	\$ 3,496,721	-	3,496,721	3,357,098
Students with disabilities	146,821	-	146,821	134,253
Other revenue from public school districts	40,110	-	40,110	24,487
Grant income	284,916	-	284,916	236,521
Contributions	903	34,299	35,202	30,371
Uniform income	368	-	368	1,983
Other	17,445	-	17,445	22,393
Net assets released from restrictions	53,254	(53,254)	-	-
Total revenue	<u>4,040,538</u>	<u>(18,955)</u>	<u>4,021,583</u>	<u>3,807,106</u>
Expenses:				
Program services:				
Regular education	2,954,482	-	2,954,482	2,826,728
Special education	157,944	-	157,944	133,199
Total program services	<u>3,112,426</u>	<u>-</u>	<u>3,112,426</u>	<u>2,959,927</u>
Management and general	736,133	-	736,133	680,770
Total expenses	<u>3,848,559</u>	<u>-</u>	<u>3,848,559</u>	<u>3,640,697</u>
Increase (decrease) in net assets	191,979	(18,955)	173,024	166,409
Net assets (deficit) at beginning of year	<u>(179,443)</u>	<u>28,835</u>	<u>(150,608)</u>	<u>(317,017)</u>
Net assets (deficit) at end of year	<u>\$ 12,536</u>	<u>9,880</u>	<u>22,416</u>	<u>(150,608)</u>

See accompanying notes to financial statements.

NIAGARA CHARTER SCHOOL
 Statement of Functional Expenses
 Year ended June 30, 2010
 with comparative totals for 2009

	Program Services			Management and general	Total	
	Regular education	Special education	Total		2010	2009
Salaries	\$ 1,304,598	69,743	1,374,341	365,331	1,739,672	1,872,690
Payroll taxes	114,146	6,102	120,248	31,966	152,214	160,404
Employee benefits	305,903	16,353	322,256	85,664	407,920	404,905
Office expense	10,938	585	11,523	3,063	14,586	12,386
Printing and production	15,038	804	15,842	4,212	20,054	14,433
Telephone	5,020	268	5,288	1,406	6,694	9,010
Meetings and travel	6,424	343	6,767	1,800	8,567	3,284
Consulting fees	125,540	6,711	132,251	35,155	167,406	39,987
Supplies	48,704	2,604	51,308	13,637	64,945	55,524
Interest expense	1,640	88	1,728	459	2,187	7,290
Professional fees	15,665	837	16,502	4,387	20,889	17,480
Advertising	1,348	72	1,420	378	1,798	4,030
Dues and subscriptions	4,254	227	4,481	1,192	5,673	6,187
Insurance	50,872	2,720	53,592	14,246	67,838	41,090
Legal fees	44,544	2,381	46,925	12,476	59,401	55,349
Occupancy	363,557	19,435	382,992	101,809	484,801	471,744
Repairs and maintenance	64,726	3,460	68,186	18,125	86,311	39,797
Staff development	35,777	1,913	37,690	10,020	47,710	35,633
Utilities	55,177	2,950	58,127	15,452	73,579	85,468
Garbage collection	6,729	360	7,089	1,886	8,975	8,773
Health Center costs	1,484	79	1,563	-	1,563	3,620
Security	5,741	307	6,048	1,607	7,655	7,355
Student transportation	288,289	15,412	303,701	-	303,701	223,272
Depreciation	40,333	2,156	42,489	11,295	53,784	46,969
Extracurricular activities	36,187	1,935	38,122	-	38,122	11,450
Miscellaneous	1,848	99	1,947	567	2,514	2,567
	<u>\$ 2,954,482</u>	<u>157,944</u>	<u>3,112,426</u>	<u>736,133</u>	<u>3,848,559</u>	<u>3,640,697</u>

See accompanying notes to financial statements.

NIAGARA CHARTER SCHOOL
 Statement of Cash Flows
 Year ended June 30, 2010
 with comparative totals for 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase in net assets	\$ 173,024	166,409
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	53,784	46,969
Changes in:		
Receivables	7,243	(7,346)
Prepaid expenses	13,937	(831)
Accounts payable	(45,921)	10,574
Accrued expenses	<u>31,995</u>	<u>27,173</u>
Net cash provided by operating activities	234,062	242,948
Cash flows from investing activities - additions to property and equipment	(99,485)	(43,466)
Cash flows from financing activities - repayment of long-term debt	<u>(38,733)</u>	<u>(190,335)</u>
Net increase in cash	95,844	9,147
Cash at beginning of year	<u>62,240</u>	<u>53,093</u>
Cash at end of year	<u>\$ 158,084</u>	<u>62,240</u>
Supplemental schedule of cash flow information - cash paid during the year for interest	<u>\$ 2,465</u>	<u>7,972</u>

See accompanying notes to financial statements.

NIAGARA CHARTER SCHOOL
Notes to Financial Statements
June 30, 2010

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Niagara Charter School (the School) was chartered by the Board of Regents of the University at the State of New York on July 21, 2005 for a term of five years pursuant to Article 56 of the New York State Education Law. The School has received a renewal of their charter which will expire on June 30, 2013. The School is a K-6 public school primarily funded through the Board of Education of the City School District at the City of Niagara Falls.

(b) Basis of Accounting

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

(c) 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 does not have any permanently restricted net assets. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and may be used for any purpose designated by the School's Board of Trustees.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School and/or the passage of time.

(d) 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.

(e) Cash

For purposes 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.

(f) Capitalization and Depreciation

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.

NIAGARA CHARTER SCHOOL
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Capitalization and Depreciation, Continued

Depreciation 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. The resulting gains and losses are reflected in the statement of activities.

(g) 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.

(h) 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.

(i) 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.

(j) Expense Allocation

The costs of providing various programs other than 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.

NIAGARA CHARTER SCHOOL
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(k) 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.

(l) Subsequent Events

The School has evaluated events after June 30, 2010, and through September 21, 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.

(m) 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.

(n) Reclassifications

Reclassifications have been made to certain 2009 balances in order to conform them to the 2010 presentation.

(2) Property and Equipment

Property and equipment are recorded at cost. A summary of property and equipment at June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 19,297	19,297
Furniture and equipment	328,685	229,200
Books	<u>10,551</u>	<u>10,551</u>
	358,533	259,048
Less accumulated depreciation	<u>(171,360)</u>	<u>(117,576)</u>
Net property and equipment	\$ <u>187,173</u>	<u>141,472</u>

NIAGARA CHARTER SCHOOL
Notes to Financial Statements, Continued

(3) Line of Credit

The Organization has an annually renewable \$200,000 bank line-of-credit. Amounts borrowed on this line-of-credit bear interest at the prime rate plus 1.50% (4.75% at June 30, 2010). At June 30, 2010, there were no amounts outstanding under the terms of this line-of-credit agreement.

(4) Long-Term Debt

The School was indebted to a financial institution for an equipment loan, with interest at 8.6%, with an outstanding balance of \$38,733 at June 30, 2009. The loan was paid in full in February 2010.

(5) Temporarily Restricted Net Assets

Temporarily restricted net assets amounting to \$9,880 and \$28,835 at June 30, 2010 and 2009, respectively, are restricted for a playground to be built for the School.

(6) Commitments

(a) Lease Obligation

The School leases its facility under an operating lease which expires in July 2026. The School has the option to extend the term of this lease for one five year interval. The lease will terminate on expiration or non-renewal of the School's charter. Rent expense amounted to \$484,801 and \$471,744 for the years ended June 30, 2010 and 2009, respectively.

Minimum future rental payments under the operating lease for the five years following June 30, 2010 and thereafter are as follows:

2011	\$ 476,067
2012	476,460
2013	476,460
2014	476,460
2015	476,460
Thereafter	<u>5,717,520</u>
	\$ <u>8,099,427</u>

(b) Transportation Services Obligations

The School has an agreement for bus transportation with a private carrier for its students. The agreement expires on July 1, 2013. Minimum future transportation payments due under the agreement are \$299,925 for the year ending June 30, 2011.

NIAGARA CHARTER SCHOOL
Notes to Financial Statements, Continued

(7) Pension Plans

The School participates in the New York State Teachers' Retirement (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 NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

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% and 7.63% of the annual covered payroll as of June 30, 2010 and 2009, respectively. Required annual contributions by the School for the year ended June 30, 2010 and 2009 amounted to \$126,176 and \$152,682, respectively.

(8) Advertising Costs

Advertising costs are expensed as incurred. Advertising expense amounted to \$1,798 and \$4,030 for the years ended June 30, 2010 and 2009, respectively.